



**US elections**  
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# FINANCIAL TIMES

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Wednesday April 1 1992

EUROPE'S BUSINESS NEWSPAPER

D 8523A

## United Nations agrees sanctions against Libya

The UN Security Council last night voted to impose sanctions on Libya from April 16 unless Tripoli hands over the two alleged Lockerbie bombers. Ten countries including Britain, the US, France and Russia backed the punitive measures, but China and India were among those that abstained. Page 20

**Evidence of US recovery:** Further evidence of US recovery was provided by the Conference Board index of consumer confidence which rose nearly seven points in March to 54, the first rise since last June. Page 6

**Krupp hits earnings:** Despite recession overseas and stagnation in domestic markets, the German steel and engineering group put in a strong performance in its last full year before this summer's flotation, raising net earnings to DM300m (\$182m) from DM217m. Page 21

**Pressure on Cresson mounts:** French president François Mitterrand declined to announce the expected resignation of Edith Cresson as French prime minister and the formation of a new government. Page 20 and Lex

**Yeltsin concludes federal treaty:** Eighteen of the 20 Russian "republics" signed a treaty designed to cement the federation together. Tatarstan, the biggest of the autonomous republics, and Chechnya, which is under a state of emergency, boycotted the ceremony. Page 2



**Silence is golden:** Anthony Hopkins became the third Briton in a row to win the Oscar for best actor, for his part in *Silence of the Lambs*. The film won five awards, including best film, best director (Jonathan Demme) and best actress (Jodie Foster).

**US accused of blocking steel exports:** Talks on a code governing world steel trade collapsed with the EC accusing the US of blocking an accord. The proposed Multilateral Steel Agreement intended to replace voluntary restraints on steel exports to the US market. Page 6

**UK property slump:** Property developer, underlined the severity of the UK's worst commercial property decline for more than 50 years by announcing a £218.8m (\$375m) annual loss. Page 21; Lex, Page 20

**Fondisara comes:** AS&S Ltd's Fondisara, leading Italian insurance group, is spending DM662m (\$394m) on a 14.2 per cent stake in Aschenort and Mitteleuropäische Befähigung, Germany's second largest insurer. In a move further cementing links between the two companies. Page 21

**Indian minister quits:** Indian foreign minister Madhavsinh Solanki resigned over charges that he tried to cover up investigations into the Bofors bribery scandal that embarrassed the former Congress administration under the late Rajiv Gandhi. Page 4

**Aircraft talks resume:** EC and US negotiators began last-ditch talks on subsidies for the manufacturers of civil aircraft, determined to resolve outstanding differences. Page 6

**Glassmaking breakthroughs:** UK glassmakers Pilkington said it had developed a method to turn raw materials into high-quality molten glass using electric-fired furnaces, beating its three main international competitors - St Gobain of France, Asahi of Japan and PPG of the US. Page 7

**Canadian air wars:** The fight for survival between Canada's two leading airlines intensified with a vow by Air Canada to block an alliance between Canadian Airlines International and American Airlines. Page 23

**Pretoria climbs down on VAT:** The South African government agreed to continue exempting some basic foodstuffs from value added tax, giving in to pressure from trade unions, business and church groups. Page 4

**First City Bancorporation:** troubled Texas bank which has been seeking a buyer for months, said several potential purchasers were looking over its books. Page 23

**Lombard shares lowest since 1984:** Lombard's share price fell to its lowest level since January 1984, as Phillips & Drew Securities confirmed its resignation as the trading conglomerate's joint stockbroker. Page 22; Lex, Page 20

**ABB raises stake in rail group:** Asea Brown Boveri, Europe's largest electrical engineering group, increased its stake in Britain's largest railway equipment manufacturer to 80 per cent as the government announced new orders for the company. Page 7

US LUNCHTIME RATES	
Federal Funds	4%
3-mo Treas Bill	4.325%
Long Bond	100%
Yield	7.98%
LONDON MONEY	
3-mo Interbank	10.75% (10.75%)
1-mo long bill	9.44% (9.44%)
STOCK EXCHANGES	
FT-SE 100	2,440.1 (-12.8)
Yield	5.07
FT-SE Euroshare 100	1,148.80 (-1.4)
FT-SE All Share	1,171.71 (-0.3%)
Nikkei	19,242.85 (-23.35)
New York Composite	2,288.85 (+21.69)
Dow Jones Ind Ave	4,444.52 (+1.52)
S&P Composite	4,444.52 (+1.52)
NORTH SEA OIL (barrels)	
Brent 15-day	\$11.17 (17.55)
North Sea	\$11.17 (17.55)
COMMODITIES	
New York Corn	\$34.7 (\$41.9)
London	\$32.55 (\$41.57)

Australia	Sch30	Hungary	P182	India	Ln550	S.Africa	398.00
Belgium	Dn100	Ireland	97.00	Morocco	MD11	Singapore	\$24.10
Cyprus	BF100	Italy	1,148.80	Nepal	P1.350	Spain	Pa200
Czech	CD100	Indonesia	Rp3000	Nigeria	Nm220	Sweden	Sk114
Denmark	Dkr14	Israel	LS250	Norway	Nkr1500	Switzerland	Sfr350
Egypt	Eg100	Japan	Y100	Oman	Om100	Thailand	Thb50
Finland	Fmk100	Korea	Wn200	Philippines	Php450	Turkey	Lm2000
France	Ffr100	Kuwait	Kd100	Poland	Zl1000	UAE	Dh200
Germany	Dm100	Lebanon	Ll100	Portugal	Pt100		
Greece	Dr250	Lux	Lfr100	Qatar	Qr100		

## German defence minister resigns in row over arms sales to Turkey Stoltenberg's exit blow to Kohl

By Quentin Peel in Bonn

MR HELMUT KOHL, the German chancellor, was struggling yesterday to limit the political damage to his government and party from the abrupt resignation of Mr Gerhard Stoltenberg, his defence minister, in a row over arms supplies to Turkey.

He announced the immediate appointment of Mr Volker Rühe, the 49-year-old secretary-general of the Christian Democratic Union (CDU), to succeed Mr Stoltenberg, the longest-serving and most senior member of the government.

Like Mr Stoltenberg, Mr Rühe is a northerner and a Protestant, and a staunch supporter of Nato, as well as a confidant of the chancellor and a rising star.

The resignation of the defence minister could scarcely have come at a worse moment in domestic political terms, because Mr Stoltenberg is the honorary chairman and father-figure of the CDU in Schleswig-Holstein, the northern state where elections are being held for a new government on Sunday. A key reason for his rapid departure was clearly an attempt to limit the electoral damage.

Mr Stoltenberg announced his decision at a joint press conference with Mr Kohl, after insisting on Monday that he did not intend to quit. He was taking political responsibility for the delivery last year of 15 Leopard-1 tanks to Turkey after the German parliament had ordered an embargo because of Turkish military actions against the Kurds.

The row blew up after Germany protested to Turkey at the use of German armoured cars in new operations against Kurdish



Resigned: German defence minister Gerhard Stoltenberg (left) at a meeting yesterday with Chancellor Helmut Kohl

guerrillas - leading to a furious slanging match with the Turkish government, traditionally a close ally inside the Nato alliance.

Only after Germany announced the renewed suspension of arms supplies - Turkey has a contract for 150 Leopard tanks, as well as equipment from the former East German army - did it emerge that the 15 tanks had been delivered in November in defiance of the parliamentary embargo.

On Monday Mr Stoltenberg announced the early retirement of the senior Defence Ministry official responsible, but yesterday, in response to a universally hostile press and the advice of close political colleagues, he decided to quit himself.

He said he had not changed his assessment of responsibility for the delivery of the tanks, "but the judgment and perceptions in a broad spectrum of public opinion

are different. In addition there could be complications in the election campaigns in Schleswig-Holstein and Baden-Württemberg.

"I want to avoid damage for both the CDU and the federal government with my decision."

Mr Kohl said he was prepared to back Mr Stoltenberg in whatever decision he took, although political observers in Bonn are convinced that the defence minister

came under heavy party pressure to step down.

Mr Stoltenberg was the longest-serving Christian Democrat member of the government, having first served as research minister under Mr Ludwig Erhard in 1965. He was prime minister of Schleswig-Holstein before returning to national government.

Rühe profile and contract delay, Page 2; Observer, Page 19

## Nikkei falls to lowest level for five years

By Steven Butler in Tokyo

THE TOKYO stock market dropped to its lowest level in five years yesterday as investors reacted with disappointment to an emergency economic package launched by the government and aimed at stimulating Japan's slowing economy.

Investors were also unimpressed by widespread reports, which were being taken as authoritative, that the central bank would raise its official discount rate by 0.75 points to 3.75 per cent. This

would be the fourth interest rate cut since July last year, when interest rates were at 6 per cent.

After a slight rise in the morning, the Nikkei average on the Tokyo Stock Exchange fell by 333.36 to 19,242.85. Sentiment is so poor that I don't think the market would be happy with anything now," said Mr Craig Chudler, strategist at UBS Phillips & Drew, the Swiss-owned UK stockbroker.

The market is standing more than 50 per cent below the highs reached more than two years ago. A 0.75-point cut in

rates would be the largest single reduction since the central bank began to ease rates last summer. It would indicate that the central bank has become concerned by a sharper-than-expected deterioration of the economy.

Many economists have argued that potential borrowers do not see a rate cut of more than half a point, they are likely to wait until rates fall again before borrowing money.

A cut of this size would nonetheless signal that the bank's overriding concern for controlling inflation has been replaced

by worries about the health of the economy.

The government said the emergency economic measures would boost demand by at least ¥4,000bn (\$30bn) in the first half of the fiscal year, which begins today, compared with last year.

Private economists said, however, that much of the spending plans had been foreshadowed and the actual impact of the package was difficult to detect. Although details of the package were leaked to the Japanese press over the past week, markets were disappointed that the measures

included no new spending. Despite the market's initially negative reaction to the prospect of cheaper money and accelerated government spending, some analysts expect these gradually to support the stock market, as savers seek higher returns than those available from deposits with regulated interest rates.

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Rescue hopes punctured, Page 18  
Editorial Comment, Page 16  
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## Opinion polls show Labour ahead in UK election race

By Philip Stephens and two Dawnay in London

THE Labour party last night claimed a breakthrough in the British general election campaign after three opinion polls gave it a lead of between four and seven points over the Conservatives.

The surveys, the first to show a decisive lead for either party, show a slump in support for the Conservatives in the wake of last week's angry row over the health service and criticism of Mr John Major's "negative" campaigning.

The Liberal Democrats, whose support has been moving up steadily in recent days, are shown as the main beneficiaries. Their support is now hovering at just below 20 per cent. But if the poll results were replicated on April 9 Mr Neil Kinnock, the Labour leader, would move into Downing Street with a comfortable overall majority.

The boost for Labour followed another day of angry exchanges over tax and spending, with Mr Major underlining again his commitment to tax cuts and Mr Kinnock insisting that he would not increase the bills of the vast majority of taxpayers. The two leaders dismissed suggestions in an independent report that an impending crisis in public finances would greatly curb the ambitions of both parties.

Mr Major refused to comment on the poll findings, but some

senior ministers predicted last night that they would provoke another agonising inquest into the Conservatives' lacklustre campaign. If the results are confirmed in other surveys due today, the party could be forced into a complete shake-up of its election strategy and team.

One suggestion was that the party should greatly intensify its direct attacks on Mr Kinnock in an attempt to destroy his credibility among the voters. Mr Michael Heseltine gave a flavour of that approach in a scathing assault on the Labour leader's fitness for office.

Another possibility was that Mr Major would now be forced direct more of his fire on the Liberal Democrats in order to persuade its potential supporters that they would help Mr Kinnock into Downing Street.

The largest Labour lead came in a Mori Poll, which gave it 42 per cent against the Conservatives 35 per cent and the Liberal Democrats 19 per cent. A Harris survey put Labour on 41 per cent, the Conservatives on 35 per cent and the Liberal Democrats on 19 per cent. An ICM poll had the parties at 41 per cent, 37 per cent and 18 per cent respectively.

Mr Kinnock attributed the findings to the contrast between his "positive" campaign and the "desperately negative" approach of the Conservatives. He said that the polls were in line with con-

stituency and regional surveys which had shown the party doing well in key marginal constituencies.

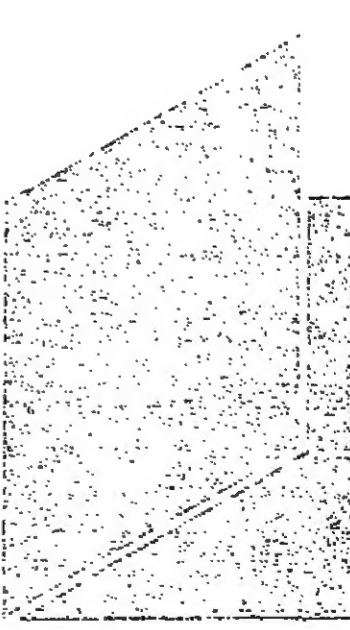
Labour signalled its intention of moving the campaign on to its strongest ground - the welfare state - with the launch yesterday of its £600m (\$1bn) package to improve education. That will be followed today with a return to the offensive on health, with Mr Kinnock renewing the charge that the creation of hospital trusts will lead to the privatisation of the National Health Service.

The Conservatives, however, will attempt to switch the focus to Mr Kinnock's record on defence. That will follow last night's election broadcast which portrayed the Labour leader as a man who, after 30 years' membership of the Campaign for Nuclear Disarmament, could not be trusted to maintain the country's nuclear defences.

Mr Chris Patten, the Conservative party chairman, last night challenged Mr Kinnock to disclose how many of his party's candidates remained in CND, after releasing documents indicating that all references to the organisation had been excised from Labour's official list of candidates.

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Editorial Comment, Page 18

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# Germany shoots itself in the foot

Quentin Peel analyses the political demise of Gerhard Stoltenberg, defence minister

THE UNTIMELY demise of Mr Gerhard Stoltenberg, who resigned yesterday as German defence minister, provides a graphic demonstration of the extraordinary capacity of the German government to shoot itself in the foot.

It also reveals the terrible perils of coalition government at a time of regional elections, the intimate relationship between domestic and foreign policy in the federal republic, and the degree to which German foreign policy is driven by a crusading moral fervour, regardless of the international consequences.

If any reminder was needed, it underlines the reputation of the German Defence Ministry as a political graveyard, from which at least four predecessors have been forced prematurely.

Ten days ago, all was quiet in the corridors of power in Bonn. To be sure, there was

tension in the air, thanks to the imminence of two state elections, in Baden-Württemberg in the south, and Schleswig-Holstein in the north. Most of the ministers were out on the stump to whip up support either for Mr Helmut Kohl's Christian Democratic Union, or for the minority Free Democratic Party (FDP) of Mr Hans-Dietrich Genscher, the foreign minister. But there was little cause for alarm, with the opposition Social Democrats (SPD) in greater disarray.

That was before Turkish troops, using German-supplied armoured cars, launched a new operation against Kurdish guerrillas inside the country.

Mr Genscher instantly moved to occupy the moral high ground, condemning the action as unworthy of a Nato partner and member of the CSCE. He was backed by Chancellor Kohl, fearful of losing electoral advantage. Turkey responded by accusing Ger-

many of harbouring Kurdish terrorists; Bonn retaliated by suspending its arms supplies. President Turgut Ozal accused Bonn of tactics reminiscent of Hitler's Germany. Chancellor Kohl responded with a furious denial - and the whole affair was out of hand.

What happened in the meantime was that it leaked out that last year 15 Leopard tanks had been delivered to Turkey as part of a long-running contract - after the Bundestag had ordered an embargo because of earlier the Turkish actions against the Kurds.

That is the offence for which Mr Stoltenberg has now paid with his head. So instead of having a useful bit of moral propaganda to woo voters in the local polls, the government is left with a damaging deterioration in relations with a Nato ally, and the most senior member of the cabinet has been forced to resign

in shoddy circumstances. Not only that, but the US, to mention but one other Nato ally, is furious with Bonn for stirring up relations with Turkey just when that country is seen as a crucial stabilising factor in the tempestuous situation in the southern republics of the former Soviet Union.

As for Chancellor Kohl, his CDU is left reeling because of the enforced resignation of the one man who was expected to deliver votes in the poll in Schleswig-Holstein - for Mr Stoltenberg is the honorary chairman and father figure of the CDU in that state. What slim hopes the party had to make inroads on the SPD majority there must have evaporated. It is a pretty good tally for a small piece of moralistic diplomacy, and a row over 15 Leopard tanks.

Mr Stoltenberg's departure removes from the German government its most senior member, whose career in 1985 as

research minister under Mr Ludwig Erhard, and who then was successively finance minister and defence minister in the present coalition. In between, he was prime minister in Schleswig-Holstein.

The irony is that he was expected to quit next September, in a mid-term reshuffle, but certainly not before the Schleswig-Holstein poll. He was the senior Protestant in the government, representing an important constituency in a predominantly Roman Catholic party. He is also a staunch supporter of the Atlantic alliance, and enjoys respect second only to Chancellor Kohl in the US.

Yet he was a lukewarm figure with a poor press. "He does not make public relations policies," says Mr Jochen Thies, editor of Europa Archiv, the foreign policy magazine. "He is a cool north German. In this affair he is almost helpless. He has not made bad policies, but he never sold himself well."

## Helicopter contract delayed

By John Murray Brown in Istanbul

A 320 helicopter contract, for which the Franco-German Eurocopter consortium was a leading bidder, has been put off for a month following Turkey's row with Germany over military aid.

The Turkish defence procurement agency decided over the weekend to put off the deal already tendered seven times. The contract was originally to co-produce 200 multi-purpose helicopters.

However it was re-tendered in March to allow Turkey to consider the cost of immediate delivery, amid signs of worsening security in Turkey's Kurdish region.

The latest delay follows last week's row with Bonn over Turkey's treatment of Kurds. Bonn suspended all aid shipments after allegations that Turkey used German supplied armoured personnel carriers against Kurdish demonstrators.

Turkey's fleet comprises 160 helicopters, including six Sikorsky-made Black Hawks - the favourite to win the new contract. The government has long said it needs a new generation of rapid deployment helicopter to counter Kurdish insurgents in the mountainous terrain along Turkey's border with Iraq.

The urgency was underlined this weekend when Belarus was invited to display its Mi-24 Hind-D combat helicopter.

## French cable TV industry cuts rates in relaunch

By Alice Rawsthorn in Paris

FRANCE'S floundering cable television industry is making a desperate attempt to attract more viewers by slashing its subscription rates.

The French cable operators, who are struggling to build an audience, have reached agreement with France Telecom, the state-owned telecommunications group that provides the technology for cable, to cut subscription rates by about 15 per cent. The price cutting play

will form part of a relaunch programme for the whole system.

France Telecom has agreed to waive part of the fees it receives from the operators as a cable provider, to meet the cost of the rate reduction.

Meanwhile the French government, which was responsible for the launch of France's ambitious plan cable 10 years ago, plans to table legislation to speed up the cabling of apartment blocks in the next session of parliament, which

starts this Thursday. When the plan cable was introduced, the government envisaged developing a system with at least 1.25m subscribers by the end of this year.

Instead, the cable industry has been bogged down by financial problems and arguments over technology.

It has also suffered from fierce competition by Canal Plus, the successful pay-TV channel. As a result it is currently subscribed to by fewer than 700,000 French homes.

## France says its growth will better rest of EC

By Alice Rawsthorn in Paris

FRANCE is poised for higher growth than most of its European partners this year and next year and should be in a good position to benefit from any upturn in the world economy, according to Mr Pierre Bérégovoy, the French finance minister.

Mr Bérégovoy, who has been mooted as candidate to succeed Mrs Edith Cresson as prime minister, said yesterday at a meeting of the Commission des Comptes de la Nation that continuing his policy of imposing tight control on inflation and public spending would be critical to France's growth.

The official forecast for French growth this year is 2 per cent, followed by 2.6 per

cent in 1993. This, said Mr Bérégovoy, would be 0.3 per cent higher than the average growth forecast for the European economies in each of those years.

However, private sector economists are predicting slightly lower growth rates for France this year.

Last week economists at Paribas, one of the largest Paris investment banks, forecast that growth for 1992 would be 1.8 per cent.

Mr Bérégovoy said he expected French inflation to remain relatively low over the next two years.

He forecast inflation of 2.8 per cent for both 1992 and 1993, beneath the present annual rate of 3 per cent.

## Investment from abroad shows rise

FRANCE last year moved up to third from fourth place on the list of countries to attract foreign direct investment, the finance ministry said, Renter reports from Paris.

It listed six operations of at least FF1bn (£100m) each that helped lift the total of inbound foreign investment to FF61.1bn from FF49.3bn in 1990. France nudged Spain out of third place. Britain and the US easily topped the list.

The ministry, in an analysis of data first released with balance-of-payments figures on March 19, said foreign investors were responding positively to France's geographical position, stability of the franc and the quality of the workforce.

## Rühe emerges from the old guard

By Quentin Peel in Bonn

MR Volker Rühe, the new German defence minister, has long been seen as a rising star of the new generation in Chancellor Helmut Kohl's Christian Democratic Union (CDU).

He is a staunch Atlanticist and has a wide range of political friends and contacts in London and Washington.

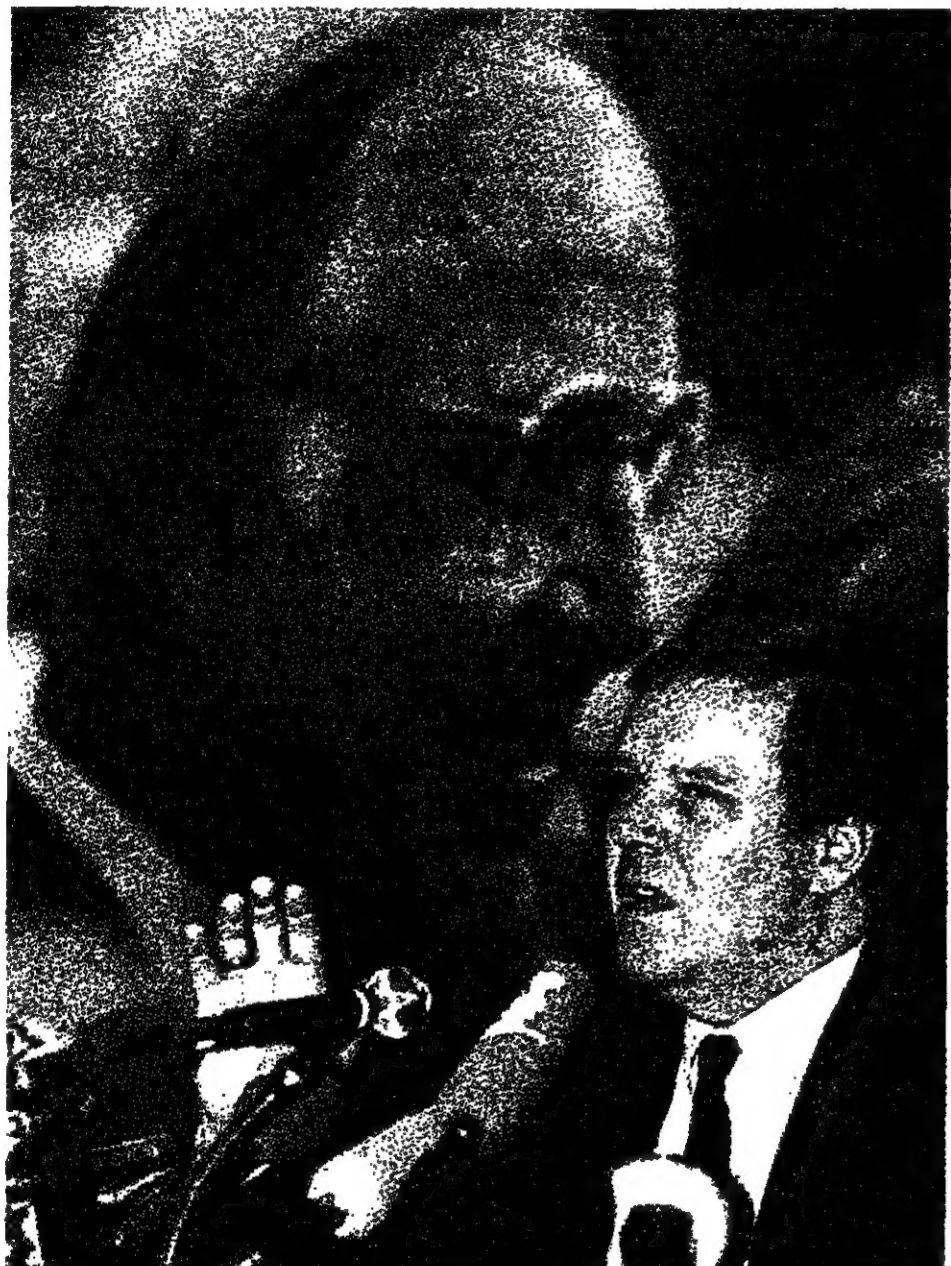
Mr Rühe, 49, a fluent English speaker, is the man most credited, alongside Mr Wolfgang Schäuble, the parliamentary leader of the party, with giving a sharp edge to political campaigning in the country.

That has helped revive CDU fortunes since last year, when the rising costs of unification caused a slump in the polls.

Mr Rühe has used the issue of asylum-seekers, a real public concern, to outmanoeuvre political rivals.

As former chairman of the foreign affairs committee in the Bundestag, lower house of the German parliament, he has made no secret of his ambition to succeed Mr Hans-Dietrich Genscher as foreign minister.

In accepting the post of defence minister, he has been forced to settle for less, although since he is a keen supporter of Nato, the appointment will reassure the US that Germany is not drifting away from the alliance.



Rühe: the new defence minister who has long been a rising star in Chancellor Kohl's CDU

## Yeltsin concludes federal treaty

By Leyla Boulton in Moscow

PRESIDENT Boris Yeltsin yesterday concluded a federal treaty designed to cement it together for the post-Soviet era.

Eighteen of the 20 "republics" within the 150m strong Federation, together with the leaders of Russian administrative regions and the mayors of Moscow and St Petersburg, signed the treaty in a formal ceremony at the Kremlin.

Created by Stalin as part of a divide and rule policy, the autonomous republics were set up to house Russia's ethnic minorities, even though the biggest group, the Tatars, were scattered over four republics. The ceremony was marred by a boycott by Tatarstan, the biggest of the autonomous republics, and Chechnya, where a state of emergency was called yesterday after internecine

fighting broke out. But the treaty may allay fears that the country itself will break up like the Soviet Union did before it.

President Yeltsin warned that the challenge now would be to implement "every article" of the treaty, despite the fact that he has had to conclude a series of deals, chiefly over property and taxation, to get individual participants on board.

The treaty was designed to be a section of a future Russian constitution. Its main provisions are as follows:

- The federal government is responsible for foreign policy, defence, defending civil rights and protecting ethnic minorities; defining federal policy for the social, political and economic development of the Russian Federation; establishing the foundations for a common market, financial and monetary policy, customs regula-

tion policy, running federal energy, transport, and communications systems.

- Responsibilities shared between the federal government, the republics and the regions include: ensuring that legislation is in accordance with the constitution; law enforcement; management, use and ownership of land, minerals and other natural resources; common matters of health, education and culture.

- Republics are responsible for every other area except those they have delegated to the Russian Federation.
- Disputes are to be resolved through the use of conciliatory procedures, to be specified in a future constitution.
- Russian is the official language in the Federation although republics can also have their own official lan-

guage. Stopping short of outright secession, Tatarstan is negotiating a separate treaty with the Russian Federation.

With some republics still under the firm grip of their old Communist rulers, they have also provided a focus of opposition to President Yeltsin's radical reforms.

But apart from local political ambitions, much of the differences with Moscow arise from the desire of local areas to hang on to whatever wealth they have for themselves at a time of great economic hardship.

This is why even areas which do not have a separate national identity, such as oil-rich Tyumen in Siberia, or Sakhalin Island in the Far East, among the signatories to the treaty, have also joined in the fight for more freedom from Moscow.

## Ukraine to be pressed on nuclear weapons

By David White, Defence Correspondent

NATO ministers will today press Ukraine and other former Soviet republics not to use their stocks of nuclear weapons for political leverage.

Concern about Ukraine's stance is expected to figure prominently at Nato defence ministers' talks in Brussels.

Mr Pavel Grachev, Russia's deputy defence minister, said yesterday he had told the US that the transfer of tactical nuclear weapons to Russia from other republics would be completed by July 1, despite apparent Ukrainian opposition.

Mr Grachev, who met Mr Dick Cheney, US defence secretary, on the eve of the talks, said hundreds of warheads now in Ukraine, Belarus and Russia would be stored carefully until destroyed.

The one-day meeting is the first of its kind bringing together defence ministers from Nato and what used to be the Warsaw Pact, including 13 former Soviet republics.

Mr Cheney said he would press for the fulfilment of pledges to place the entire nuclear arsenal in Russia.

Tactical nuclear arms are due to be transferred to Russia by July 1 under an agreement reached last December. Ukraine is also pledged to the removal of strategic weapons by the end of 1994. Other strategic weapons are based in Russia, Kazakhstan and Belarus.

The talks are also expected to focus on the share-out of military equipment entitlements which were allocated to the Soviet Union under the 1990 Conventional Armed Forces in Europe (CFE) treaty.

## Upset in Europe's construction equipment market

By Andrew Baxter

GERMAN reunification and recession elsewhere in Europe have transformed the \$12bn-\$15bn western European construction equipment market over the past two years, with far-reaching implications for manufacturers and component suppliers.

Germany has more than doubled its share of the market from 12 per cent in 1989, before reunification, to 37 per cent last year, largely at the expense of the UK, whose share has plummeted from 21 per cent to 9 per cent.

The figures come from a review by the Corporate Intelligence Group, the London-based analyst.

In spite of a 47 per cent surge in German unit sales, overall demand in western Europe fell 3 per cent last year to 97,358 units, confounding the group's forecast that 1991 would be a "watershed" with demand beginning to pick up by the middle of the year.

A further 5 per cent decline is expected this year, and it unlikely that demand will recover until 1993-94, says the review. Even then, sales are expected to be 6-7 per cent lower than in the late 1980s.

The forecast provides a gloomy backdrop for next week's Bauma construction equipment exhibition in Munich, the world's largest this year.

Demand in Germany, described by the review as "a shining beacon of prosperity," is being spurred by construction activity linked to reunification. Building activity in the west expanded slightly last year, in spite of a second-half slowdown, while in the east the growth rate may have

reached 20 per cent.

A further 20 per cent growth in building activity is forecast for the east this year, but in the west the housing boom is finished, says the review. Overall, the German construction equipment market is forecast to fall to 33,510 units this year from 35,866 last year, and to 30,420 by 1996.

Even then, however, the German market will still be more than twice the size of its three nearest rivals, France, Italy and the UK.

The implications of this geographical shift in demand are fundamental, says the review. German end-users traditionally prefer domestically-produced equipment, and will pay a premium for the perceived additional quality.

German manufacturers have therefore been sustained by domestic demand, and cushioned to a large extent from the severe decline in export markets.

"Unless a company has a manufacturing base, or at least an exceptionally sound distribution network, in Germany, then manufacturers will have little opportunity to participate in the only European market which currently offers good volumes at acceptable margins. The result should be a much stronger manufacturing base in Germany over the long term," it says.

Rise elsewhere. The sharpest decline last year was in the "perfectly ghastly" UK market, where unit sales fell 38 per cent to 9,212, the lowest for at least a decade.

The study blames "a combination of a government floundering its way to economic stability, high interest rates, and too many good machines looking for too little work."

## Attacks mar Yugoslav peace talks

BOTH Serbian and Croatian media yesterday reported sporadic incidents in Bosnia-Herzegovina while the 4.4m Moslem, Serb and Croat inhabitants of the central Yugoslav republic appeared to wait for the outcome of European Community-brokered talks in Brussels, among the republic's national leaders, writes Laura Silber in Belgrade.

The peace plan revolves around an independent Bosnian state divided into three ethnic units.

Tanjig, the Belgrade-based news agency, said six people were wounded in Bijeljina, a northeastern Bosnia, when a Serb threw a grenade into a crowd owned by Moslem. Tanjig also said a federal army base in Rihac, western Bosnia, came under overnight fire.

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## Radical monetarists under fire

By John Lloyd in Moscow

SENIOR figures in Russian politics and industry yesterday mounted a series of attacks on the government in the run-up to the Congress of People's Deputies next Monday, aimed at forcing a change of the course of economic reform. They are demanding a relaxation of credit to prevent the collapse of industry.

The attacks came as Mr Sergei Shakhrai, a deputy prime minister and a close aide to President Boris Yeltsin, announced his resignation.

He claimed that deputies were trying to squeeze out Yeltsin supporters from the congress by stripping him and other ministers of their parliamentary seats. They had used a Russian law prohibiting deputies from holding government positions as a cover to

"exclude us all from active work at the coming Congress... and thus decrease the numbers of the supporters of Yeltsin and his reforms".

Yesterday's attacks on government policy were from "critical supporters" - but showed that the constituency for the kind of radical monetary policies which the government maintains has shrunk to virtually zero. It seems likely that other figures may have to follow Mr Shakhrai into retirement in order to placate the deputies. However, an announcement on Russia's admission to the International Monetary Fund, which may come next week, would give the government a much needed boost.

The heaviest salvo was fired by Mr Arkady Volosky, president of the Russian Union of Industrialists, who has so far

maintained a critically supportive position towards economic reform. In an article in the daily Rabochaya Tribuna, Mr Volosky said industry was in a parlous state, with huge unsold stocks and vast debts. Western specialists working in the agricultural sector fear that a lack of reform will mean a continuing deterioration, and greater dependence on western aid. A rise in oil prices - scheduled for May or June - would cause "serious upheaval", Mr Volosky said.

Admitting the need for a rise in prices to stem the uncontrolled outflow of oil through the Baltic states at low prices, he called for a three-stage, three-year transition to world prices.

The cause of the industrialists was further supported by Professor Yevgeny Yasin, recently appointed as a plenipotentiary to explain the gov-

ernment's economic policies to parliament. Professor Yasin, who said his slogan was "criticism, but support", said that enterprise debts to banks and to each other stood at Rb600bn, against about Rb400bn a year ago. Working capital had fallen in real terms by 10-15 times.

"The price rises were higher, the squeeze on the money supply was stronger and the extent of the payments crisis greater than the government expected. There must be more flexibility on credit policy: the government must learn that it cannot both liberalise and stabilise the currency, and that liberalisation is now the most important thing."

Leaders of the two separate chambers of the Russian parliament warned of "disintegration" if economic reform continued on its present course.

Islam



# Craxi drops hint on PM's post Pensions 'too big' say unions

By Robert Graham in Rome

MR Bettino Craxi, Italy's Socialist leader, yesterday hinted that he would not seek to head a fresh coalition government if his party fared poorly in next Sunday's general elections.

Until now both the Socialists and their Christian Democrat allies have based their election campaign on a call for a strong vote to ensure their long-standing partnership could provide a stable basis for the country's next government.

There has been an understanding that the premiership should change parties and be offered to Mr Craxi, who headed two coalition governments from 1983 to 1987.

However, the Socialist vote risks being eroded by electoral discontent with the outgoing administration and recent allegations of corruption involving prominent party figures.



Craxi: Campaigning to prevent his Socialist Party's support being eroded by voter discontent

Craxi's first would be me." In the 1987 elections, the Socialists obtained 14.3 per cent of the vote. Before this campaign, the party believed it could increase this percentage; but a lacklustre campaign and the arrest of Mr Mario Chiesa, a prominent member of the

Milan party apparatus, on corruption charges have led commentators to predict that the Socialists will have difficulty retaining their share of the vote.

Mr Craxi's threat not to offer himself as a candidate for the premiership appears designed

to rally the Socialist vote behind him.

It underlines the concern of the Socialists and Christian Democrats that they will fail to secure a parliamentary majority, with their two small allies, the Liberals (PLI) and the Social Democrats (PSDI).

ITALY'S three largest union groups yesterday urged the government to stop promising them generous pensions. Reuter reports from Rome.

Paying out so much to an increasingly ageing population was like "sitting on a barrel of dynamite", they warned. Some 300,000 state workers are lining up to take advantage of a law passed last year enabling them to give up their ordinary state pensions and transfer to a lucrative system run by the Treasury for civil servants.

The law threatens to cost the social security service more than 14,000 (£2.79bn) a year.

"This is an absurd law which needs immediate correction," said the CGIL, the UIL and the CISL umbrella union groups. "It flies in the face of all attempts to reform the pension system."

In theory, the law offers "golden pensions" of 100 per cent of retirement salary to all employees in the public sector.

Italian pensions, among the most generous in the world, have long been identified as one of the causes of the country's massive budget deficit but politicians have avoided cutting them for fear of losing votes.

## Fellini provides a stage for party without stars

By Robert Graham in Rome

BY LAUNCHING its campaign for the Italian elections with a three-day convention in the film studios of Rome's Cinecittà with Federico Fellini as patron, the small Republican Party took the risk of looking too big for its boots.

Against the back-drop of a flashy set, the Republicans, who have always prided themselves as a minority centre-left party backed by the cream of business and the intellectual elite, analysed Italy's ills and called loudly for institutional reform and tough economic management.

Yet with only four days before Italians vote in general elections on Sunday, the pretensions of the Republicans and their leader, Mr Giorgio La Malfa, appear to have paid off. Alone among the traditional parties, the Republicans have come through the campaign confident of substantially increasing their vote.

Commentators suggest the party could get up to 7 per cent of the vote, perhaps more, doubling their poor performance in the 1987 general elections. This may still appear a small percentage but in a fragmented political arena it would be more than sufficient to convert Mr La Malfa and the Republi-

cans into key players determining the nature of the next coalition government.

At 52, and an economist educated at Cambridge and Massachusetts Institute of Technology, he has finally emerged from the political shadow of his late father, Ugo, who dominated the party for 30 years, casting it in the role of "the honest conscience of government".

He has exploited the party's "clean" image and enjoyed a sympathetic press from the most influential newspapers. His calls for institutional change and the need for competent economic management have struck a chord in the north among disillusioned Christian Democrats, former Communists, and especially Socialists in the latter's stronghold of Milan as a result of corruption scandals.

His party has been the only one to gather together a panel of distinguished economists to prescribe how Italy should face the daunting task of implementing the EC's summit agreement at Maastricht.

The greatest compliment paid to Mr La Malfa's increased political weight has been the way leading Christian Democrat and Socialist politicians

have chosen to attack him. They know he has been poaching supporters and acquiring a higher profile. The Christian Democrats and Socialists also feel a sense of betrayal at the way this natural partner in government has gone against them: the Republicans have been present in 23 of the 50 governments Italy has had since 1945.

Mr Giulio Andreotti, the outgoing prime minister, has not forgiven Mr La Malfa for removing Republican support when he was trying to form a new government last April. Although Mr La Malfa walked out in high dudgeon in a seemingly petty row over portfolio allocations, the decision has subsequently been presented as a careful tactical move to distance himself from a discredited government.

This distancing act enabled the Republicans to avoid being tainted by the failures of the past legislature and present themselves either as an opposition, or as a repository of votes for those who wish the party to influence a future coalition. Mr La Malfa said he would only back the next government if it were composed of technicians committed to carry out a clear programme of reforms.

## Sweden to open up electricity market

By Sara Webb in Stockholm

SWEDEN will allow increased competition in its electricity market in line with developments in the European Community, the government said yesterday.

Customers will be free to shop around for suppliers offering the lowest electricity prices in future, and power and other companies will be able to import and export electricity to neighbouring countries.

Those companies which have a concession to operate power lines in certain areas will be forced to open their lines to other suppliers and users. In addition, the government said it was preparing legislation concerning competition in the electricity market, and promised that its competitiveness would be "continually monitored".

The proposals were welcomed by the Confederation of Swedish Industry yesterday. Mr Lars Gunnar Larsson, head of the CSI's energy and environment division, said industry members had been eager to see

more competition on electricity prices.

The government has started to reform the electricity industry already. Vattenfall, the state-owned electricity company which supplies about half the country's electricity, is being prepared for wider ownership as part of the government's ambitious privatisation programme, although no date has been set yet.

The remaining electricity suppliers are mainly owned by the local authorities or by private companies. One company - the big forestry group SCA - recently agreed to sell its power operations in view of the forthcoming changes in the electricity market.

In the past, many of the electricity-intensive industries had their own power suppliers so that they could be independent of the regional power monopolies.

The government said "substantial gains stand to be made by making the electricity sector more efficient, and by facilitating increased trade in electricity across borders".

## Theodorakis quits Greek government

Mr Mikis Theodorakis, the Greek composer, has resigned from the government, leaving the ruling conservatives with only a one-seat majority in the 300-member House, writes Kerin Hope in Athens.

Mr Theodorakis, who will now sit as an independent, is the fifth cabinet minister to step down in the past seven months. He was a Communist Party MP before joining the conservatives. His duties as minister without portfolio were never spelled out, but he sometimes accompanied the prime minister, Mr Constantine Mitsotakis, abroad and helped promote culture at home.

Mr Theodorakis said in his resignation letter that he wanted to devote more time to music. But as an enthusiastic supporter of better relations with Turkey, he was known to be disappointed when the government dropped a plan to sign a Greek-Turkish friendship treaty this year.

## Danish tax quashed by EC court

THE European Court ruled yesterday that a Danish labour market tax on employers was illegal, confirming an earlier recommendation by the advocate general, writes Hilary Barnes in Copenhagen.

The tax was introduced in 1987 to replace an employer social security tax levied on the total wage bill.

The government scrapped the employers' social security contribution and introduced a tax levied on the company's total import bill and on value added in production for the domestic market.

Exports were excluded from the tax.

Import companies brought the case against the government, claiming that the tax was discriminatory and in conflict with the Treaty of Rome.

Many companies are planning to withhold payment for the fourth quarter of last year, due on April 7, following the ruling.

## Shipping group faces cartel fine

By Andrew Hill in Brussels

COMPAGNIE Financière Delmas-Vieljeux (CFDV), France's leading shipping group, is likely to be fined by the European Commission today for its involvement in a cartel which allegedly eliminated competition between freight lines operating between France and West Africa.

The Commission is also expected to impose conditions on the operation of freight services between France and French-speaking West African countries. Officials refused to comment on the level of the fine, or the extent of the restrictions ahead of today's full Commission meeting, but the punishment is likely to be

severe. The Danish government and the Danish shipowners' association complained to the Commission that CFDV - part of Bolloré, the French transport and industrial conglomerate - was at the centre of a shipowners' cartel called Secretama, which managed shipping trade with African countries. Other French and European companies involved will also be fined.

Bolloré was forced to buy out the minority shareholders in CFDV for FF1.1bn (£110m) last year, following a landmark stock exchange ruling. The group has claimed that CFDV never revealed the extent or seriousness of the Commission's investigation.

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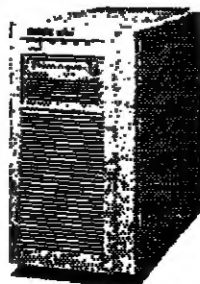
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## Bofors scandal claims Indian foreign minister

By K K Sharma in New Delhi

MR Madhavsingh Solanki resigned yesterday as India's foreign minister following his admission that he delivered a mystery letter to his Swiss counterpart last month on the Bofors case.

Mr Solanki's action has greatly embarrassed Mr P V Narasimha Rao's Congress government, which is being accused of going slow on the investigations into the scandal over payoffs by Bofors, the Swedish armaments company.

The Bofors case, which rocked the government when the late Mr Rajiv Gandhi was prime minister, was one of the principal reasons for the defeat of the Congress party in the 1990 elections.

With Mr Solanki's resignation - the first since the latest Congress government was formed eight months ago - the Bofors affair has been successfully resurrected by the opposition, which is determined to embarrass the government further. A parliamentary debate is



Solanki: delivered letter

to be held today.

Mr Gandhi and others were alleged to be recipients of payoffs from Bofors, which was awarded a \$1.4bn contract in the early 1980s for supplying howitzers to the Indian army. The charges have surfaced repeatedly since then. Mr Gandhi was assassinated in April last year and the truth about the payoffs has never been told.

Following a parliamentary storm over a newspaper report on Monday, Mr Solanki admitted that he handed over a note to Mr René Felber, the Swiss foreign minister, from a private lawyer on the status of pending Bofors cases.

"I now regret that I handed over the note, which has caused embarrassment to me and avoidable misunderstanding," he said.

Mr Solanki claims he did not know the contents of the note. The Indian Express, which carried the report, said that the note contained a sentence asking Switzerland not to take any action on the Bofors cases in the country until a petition pending in Indian courts was disposed of.

The Indian Express also reported that the note said the Indian government believed there was no urgency in the case and that the matter could be held in suspension.

A parliamentary investigation in the mid-1980s absolved Mr Gandhi of charges of corruption but the investigation was reopened by Mr V P Singh when he was prime minister. Mr Singh ordered a fresh inquiry by the Central Bureau of Investigation more than three years ago but this has not been completed yet.

Mr Rao's government has denied accusations of slowing down the investigations.

## Import-export curbs lifted

By K. K. Sharma

INDIA'S export-import policy for the next five years, unveiled yesterday

by Mr P. Chidambaram, the minister of commerce, specifies that trade will be free except for a few restricted items.

The government's annual budget presented in February initiated many trade policy reforms, including partial convertibility of the rupee and reduction in tariffs. The export-import policy announced yesterday substantially eliminates licensing, quantitative restrictions and

other regulatory and discretionary controls.

Consumer goods imports will continue to be restricted, but import of capital goods and raw materials has been liberalised. The government monopoly over substantial imports has been reduced to eight items including crude oil, fertilisers, cooking oil and cereals.

Mr Chidambaram said yesterday he expected India's foreign trade to grow. His aim is that it should account for 20 per cent of gross domestic product compared to the present 14 per cent.

## Kashmir killings prompt Moslem revulsion

By David Housego in Srinagar

MOSLEM mourners crowded round a Hindu crematorium ground in central Srinagar yesterday to express their revulsion at the murder of a Hindu family yesterday by Kashmiri Moslem terrorists.

Mr Sohan Lal, a 45-year-old driver, his wife Binla and their 20-year-old daughter Archana were killed by two militants who visited their house asking for food and shelter for the night. Senior police officials confirmed yesterday that both women had been raped.

The incident is the first in more than nine months in which Moslem militants have apparently deliberately chosen a Hindu family as their target and it could provoke a further Hindu exodus from the Kashmir valley. It is also bound to revive charges that Moslem extremists are deliberately trying to drive Hindus from the valley.

Moslem mourners at the cremation service yesterday expressed disgust at the killings and an increasingly common heard weariness with the two-and-a-half year insur-

gency. "People are fed up with militancy," said a Moslem neighbour who knew the family well.

Moslem neighbours felt particularly upset by the triple murder, having long pressed the family to remain in the valley when other Hindu families were leaving.

The killing comes at a time when the government is seeking to revive political activity in the state by releasing detained opposition political leaders. The five leaders, most of whom have been detained for two years for supporting Kashmiri separatism, are expected to return to Srinagar today.

The Hizbul Mujahideen, the main pro-Pakistan Islamic militant group, strongly condemned yesterday's killings. Mr Maqbool Elani, the group's commander in the Srinagar region, said in an interview yesterday: "We are totally against this. They are our Hindu brothers." He spoke at an interview on the outskirts of Srinagar with a dozen of his followers, all carrying automatic weapons.

## UN envoy presses peace plan on Afghan leader

THE United Nations special envoy on Afghanistan, Mr Benon Sevan, made an unscheduled trip to Kabul, the Afghan capital, yesterday after holding talks with Pakistani and Iranian ministers in Tehran. Reuter reports from Kabul.

Mr Sevan went straight into talks with Afghan President Najibullah. UN officials refused to comment on the meeting.

Diplomats in Kabul said the visit could indicate new developments in his efforts to convene an assembly of prominent Afghans next month to end 14

years of civil war. UN and mujahideen officials in Pakistan say he is trying to speed up the peace process for fear of growing instability in Kabul and northern Afghanistan. Earlier this month Mr Najibullah announced he would play no part in Mr Sevan's Afghan assembly and was ready to hand over all government powers if it could agree an acceptable interim government to take office in Kabul. His announcement coincided with Kabul's loss of the northern city of Mazar-i-Sharif to mujahideen guerrillas.



Prime minister Kiichi Miyazawa, right, foreign minister Michio Watanabe, left, and party vice president Shin Kanemaru put their heads together after a cabinet meeting yesterday on the emergency package

## Measures aim to restore confidence

By Steven Butler in Tokyo

THE package of emergency measures announced yesterday by the Japanese government cover a range of fiscal and regulatory areas aimed at boosting the economy. The aim is not only to accelerate public works spending, but also to stimulate spending by introducing special loan programmes and easing regulations.

The Economic Planning Agency, which issued the programme, appeared equivocal, however, about the actual state of the economy. It said employment and spending were firm, and corporate profits remained high by historical standards. None the less the economy was slowing and the agency wanted to arrest any further deterioration in business and consumer confidence. The package was thus aimed at boosting confidence over and above stimulating the economy.

The measures are:

- Central government will "front load" its public works programme by spending 75 per cent of the annual budget in

the first half of the year. Normally 68 per cent of the budget is spent in the first half.

Mr Masaru Yoshitomi, director general of the EPA co-ordination bureau, said central government spending would rise by 15.7 per cent compared to fiscal 1991 during the first half of the year, an increase of ¥1,500bn. Front loading was responsible for two-thirds of this increase.

Local government, whose public works spending is about twice that of central government, was expected to follow a similar programme, although the amount could not yet be quantified.

- Electricity, gas and telecommunications would increase budgets and bring forward spending schedules. In the electricity industry, capital spending would be increased by ¥300bn to ¥4.3bn, with ¥1,000bn previously budgeted for the second half moved to the first. The telephone companies would increase spending over budget by ¥90bn to ¥1,200bn.
- A variety of lending pro-

grammes would be introduced to support companies investing in labour-saving devices. Money would be lent at 5.9 per cent, compared to current rates of 6.0 per cent to large companies, while loan rates to small and medium companies would be cut from 5.1 per cent to 4.5 per cent.

Private spending would be supported by promoting shorter working hours, including a five-day work week for civil service employees. Long distance telephone rates are to be cut. Housing loan ceilings from the government Housing Loan Corporation are to be raised and, in an effort to stimulate demand for vehicles, the building of car parks is to be promoted.

In addition to lower loan rates for labour saving investment, a variety of credit and insurance schemes are to be improved for small businesses. Measures are to be taken to improve the operation of the stock and bond markets.

- The government is to pursue flexible implementation of

monetary policy. This is a thinly veiled hint that the Bank of Japan should cut interest rates.

Mr Yoshitomi was in no doubt about the importance of the programme. "By these measures we still expect we can achieve 3.5 per cent (economic growth)," he said.

Mr Yoshitomi said that, compared to previous government emergency packages, the government was catching the downturn in the economy before it became serious. He therefore believed the measures would take rapid effect.

He said that while it would be impossible to quantify precisely the impact of the measures, the process of corporate inventory adjustment was expected to peak by September, and that economic recovery would begin afterwards.

A possible supplementary budget to make up for a dip in spending expected in the second half of the fiscal year would be considered only after the emergency measures had been given time to work.

## Keating puts up \$114m to fight racism

By Kevin Brown in Sydney

THE Australian government is to spend \$114m (US\$114m) over five years to try to improve conditions for the country's Aboriginal minority, and combat discrimination by white Australians.

The spending forms the first part of the government's response to the report of a Royal Commission into the deaths of 99 Aboriginals and Torres Strait Islanders in police custody.

The Commission found that the dead prisoners, most of whom committed suicide, were victims of "entrenched and institutionalised racism and discrimination".

Mr Robert Tickner, the federal Aboriginal affairs minister, said their deaths were "the tragic consequence of two centuries of dispossession, dispersal and appalling disadvantage".

He said there was "a moral and political obligation on those in positions of political leadership to bring about genuine, lasting change in the lives of Aboriginal and Torres Strait Islander people".

However, the impact of the spending package was offset by a barely concealed row between Canberra and the eight state and territory governments over the financing of some of the commission's 339 recommendations.

The state governments claim to have spent A\$100m on meeting the recommendations, and accuse the federal government of starving them of funds for Aboriginal programmes.

The issue was shelved after a stormy meeting between the federal and state governments in Melbourne last week, but is likely to prompt further wrangling next month when the state premiers meet Mr Paul Keating, the prime minister. The government said A\$71m of the package would be spent on combating alcohol and drug abuse. A further A\$50m will be provided to improve Aboriginal legal services.

An Aboriginal Social Justice Commissioner will be established to monitor human rights abuses.

## UN sanctions will boost links between Egypt and Libya

By Tony Walker in Cairo

TRAFFIC across Egypt's remote western border with Libya is expected to increase after the UN ban on aviation links starts on April 15.

Shipping from Egyptian ports is also likely to benefit from the air embargo. Other neighbours of Libya certain to experience a jump in "transit" traffic include Tunisia, which shares a land border, and Malta.

Col Gaddafi's recent threat, in an interview with France's Figaro magazine, that he would refuse to do business with "hostile" countries, such as France, indicates Libya will be more selective in its choice of trading partners. "I make it quite clear and what I am telling you is a warning: whoever supports our political cause will benefit from all our projects. Whoever stands against our political cause will get nothing."

Egypt fears, however, that the ban on air links will be

only a first step, and that if Libya continues to refuse to yield those suspected of the Lockerbie bombing and blowing up a French airliner, harsher sanctions will be considered, including an oil embargo.

Egypt has been trying to neutralise western attempts to further isolate Col Gaddafi and his regime, fearing this may bring about an upheaval in Libya with unforeseen consequences for all its neighbours.

In Cairo this week, Dr Osama al-Baz, a senior presidential adviser, said Egypt wanted to lessen tensions between Libya and the West. Western officials in Cairo say that while Egypt will probably fall reluctantly into line with the letter of the UN resolutions, it will do what it can to soften the blow to Libya by facilitating movement of goods and personnel that would normally have gone by air.

Egypt is also likely to push ahead with various co-operation programmes with Libya.

These include plans to settle thousands of Egyptian farmers in Libyan desert regions to utilise water from Col Gaddafi's "Great Man-Made River" - a vast scheme to tap desert aquifers.

Egypt and Libya are also improving their road and rail communications across their border, discussions are well advanced on ways of linking their power grids, and there has also been talk of extending co-operation in the oil sector.

Relations have blossomed since the two countries signed the 1989 Arab League in 1989. Egypt's President Hosni Mubarak and Col Gaddafi exchanged visits in the same year.

Air links, severed in 1977 after Egypt and Libya fought a brief border skirmish, were re-established in June, 1989. Now, it seems, they are about to be cut again, but under vastly different circumstances.

Under the plan, the banks

## Li Peng under fire over economic growth policy

CHINESE legislators have expressed unusual criticism of Prime Minister Li Peng's annual report, urging faster economic growth in keeping with senior leader Deng Xiaoping's call for bold reforms, AP reports from Beijing.

Even though Li echoed Deng's call for bolder economic reforms, accounts in the official media suggest many delegates at the annual session of the National People's Congress believe the prime minister is not adequately promoting the changes.

The official Xinhua News Agency yesterday quoted army delegate Wei Mingyi as saying Li's proposed 6 per cent rate for economic growth in 1992 was too low. China's growth rate for 1991 was 7 per cent. "This does not accord with the spirit of speeding up economic development," Xinhua paraphrased Wei as saying.

Another delegate said many

local enterprises lost key decision-making powers after the central government imposed anti-inflation measures in 1988. Others criticised the government for failing to streamline the bureaucracy.

Xinhua also reported on several delegates opposing the plan to build the world's largest hydroelectric project, at the Three Gorges on the Yangtze River. Li has been a main backer of the dam.

A senior Chinese official acknowledged yesterday that Beijing is collecting information on Hong Kong residents, but denied they would be arrested after China takes control of the territory in 1997.

Tao Siyu, China's minister of public security, told the government-owned Hong Kong radio that Beijing keeps files on scores of Hong Kong residents. Many of them are believed to be pro-democracy activists.

## Du Plessis bows to business and church pressure

## Pretoria agrees to continue VAT exemption on basic foods

By Philip Gawth in Johannesburg

THE South African government yesterday agreed to continue exempting certain basic foodstuffs from value added tax, giving in to pressure from trade unions, business and church groupings.

When VAT was introduced last September, at a rate of 10 per cent, nine food items were exempted for a six-month period, which ended last night. The introduction of the tax was accompanied by a general strike opposing the method in which it was introduced, and further mass action had been promised if the exemptions were lifted.

Mr Barend du Plessis, finance minister, who made yesterday's announcement, continued to stress that

exemptions mitigate against maximum efficiency of the tax, which requires the broadest possible base.

Business and church leaders argued that the exemption should continue, given the current high unemployment and recession. Mr du Plessis might not otherwise have heeded the similar protests by Cosatu, the dominant union grouping, with whose leadership there exists a well established antipathy.

The temporary zero rating on milk and rice will be lifted as planned. But it will stay in place for the time being for staple, mealie (maize) rice, dried whole mealies, dried beans, soya beans, lentils, tinned pilchards, milk powder and dairy powder mixture. Brown bread and mealie meal were granted a long-term zero

rating from the outset.

Mr du Plessis pointed out that the exemption of mealie meal and brown bread cost the state R1bn (\$346m) a year. Maintaining the exemption on the other foodstuffs will cost the state R136m this year, but it will receive R244m from the tax on rice and milk.

The government's case for not zero rating foods initially rested on the fact that it planned to offer nutritional assistance schemes to the most needy. Last year R220m was voted in the budget towards this cause with a further R400m provided for in the 1992-93 budget tabled last month.

However, only half the R220m was spent in the last financial year, much of it on setting up delivery structures.

## Markets cool on Japanese crisis package

By Emiko Terazono in Tokyo

JAPAN'S emergency economic package was greeted with scepticism yesterday by the Tokyo financial community, which saw the government's announcement as little more than a rehash of long-discussed reforms.

One proposal, to develop the domestic corporate bond market by eliminating issuance limits and restructuring the underwriting procedures, alone prompted hopes of change towards a larger and more liquid market for corporate paper.

But a widely expected cut in the official discount rate today failed to stimulate the stock or bond markets, and the knowledge that a bad financial year was over and a new year begins today provided no comfort.

Mr Craig Chudler, strategist at UBS Phillips & Drew, the Swiss-owned London stockbroker, said the package did not contain any concrete proposals, indicating a lack of commitment on behalf of the government.

The stock market is still haunted by fears that the Nikkei stock average could fall by a further fifth to as low as 15,000 before a recovery, and dealers generally believe that yesterday's actions did little to ease those fears.

Apart from proposed rule changes which would eventually allow companies to hold their own shares, listed groups are being encouraged to pay higher dividends. For more than a year, the government and institutional investors have urged Japanese companies to increase dividends, but there has been little response, and individual investors remain wary of the scandal-tainted stock market.

Trading volumes are weak, companies' unrealised profits on stock holdings continue to be eroded, and new equity issues have dried up. In contrast, ¥9,000bn (\$70bn) was raised in 1989 on the Tokyo stock market through new issues and equity-linked instruments.

Another poorly received proposal was the establishment of equity investment funds for institutional investors. Mr Kaoru Shimura, head of equity

investment at Sanjimon Life, a leading life insurer, said the most needed change was a cut in taxes on investments.

The ministry of finance said the proposals held out the prospect of accelerated reforms in the corporate bond market. Japanese companies are in dire need for alternative fund raising measures, as aside from the weak stock market, bank lending has become tighter due to capital constraints of the banks.

Mr Robert Feldman, economist at Salomon Brothers, said the proposals had significant importance in the longer term affecting the supply of money available to companies.

Japanese companies need funds not least because they will be required to make large repayments on equity-linked bonds issued in the late 1980s. According to Daiwa Securities, Japanese banks will need to repay ¥6,550bn on maturing equity-linked bonds in the fiscal year ending March 1993.

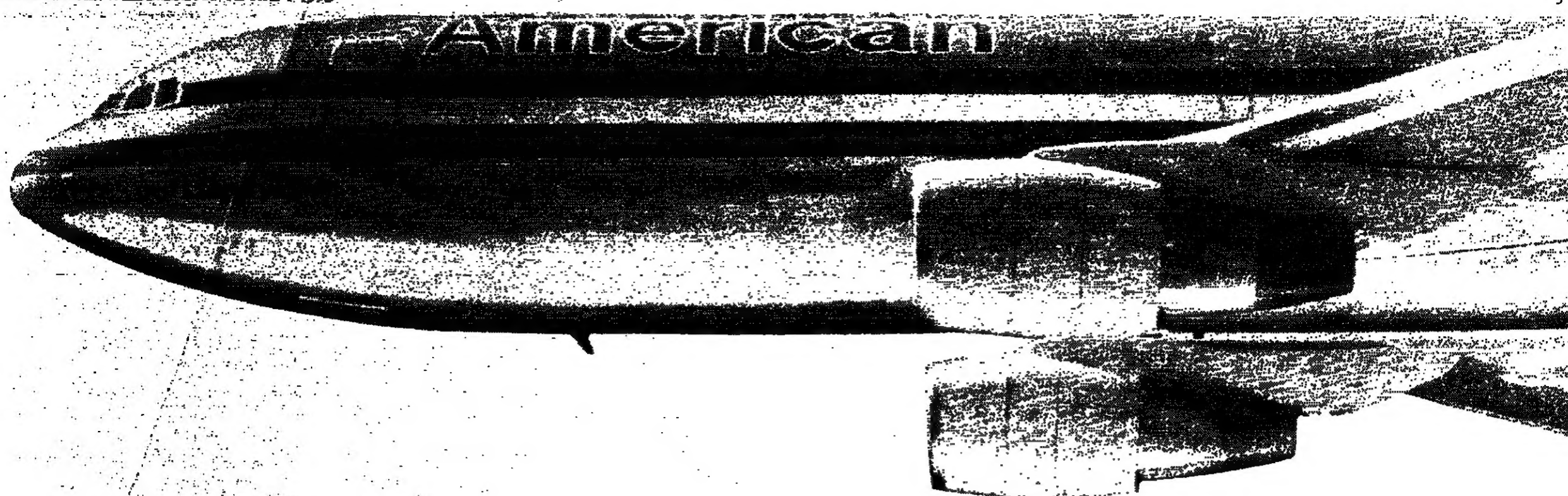
The Japanese bond market has traditionally functioned to fund the government, and the corporate bond market has been heavily regulated. However, the companies' craving for funds has pushed corporate bond issues for the fiscal year ended March to ¥3,315.7bn, three times that of two years ago.

The progressive dismantling of the barrier between the banking and securities industries, already under way and due to be implemented next year, is expected to increase competition in underwriting the bonds. Banks may as a result enter a market currently dominated by the Big Four brokers - Nomura, Daiwa, Nikko and Yamaichi Securities. The ministry also hopes to abolish the commission-bank system, where every issue has a bank which acts as an agent representing investors.

Strict limits on company bond issues are expected to be eased. Currently, a company may only issue bonds equal to its equity capital plus retained earnings.

The ministry of finance wants to introduce new products, such as bonds with shorter maturities and floating rate notes.





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## NEWS: AMERICA

## US recovery is under way, indicators show

By Michael Prouse in Washington

A BATCH of positive economic indicators yesterday provided further evidence that the US economy is recovering from recession.

The Conference Board, a New York business analysis group, said its index of consumer confidence rose nearly seven points in March, to 54.0. This was the first rise since last June and the biggest since the Gulf war ended last spring.

Separately, the Commerce Department said the composite index of leading indicators - the main gauge of turning points in the economy - rose 0.8 per cent in February, following a strong 1 per cent gain in January.

Regional indices of industrial conditions were also up. Chicago and Detroit purchasing managers' indices both rose, indicating faster expansion in

manufacturing industry.

The figures were published as the Federal Reserve's policy-making open market committee met to discuss the monetary outlook. The Fed is not expected to sanction another cut in interest rates unless the incipient recovery appears to flag.

The reaction on financial markets was muted as many traders were hedging their bets until the release on Friday of the March employment report. This is seen as giving the best monthly snapshot of economic conditions.

Most forecasters believe a mild recovery is under way but confidence remains fragile, partly because a similar recovery last spring ground to a halt in a few months. Mr Bruce Steinberg, senior economist at Merrill Lynch, said slow growth of employment would restrain the pace of recovery in coming months.

Mr Fabian Linden, for the Conference Board, said the level of consumer confidence, while the best since last October, remained "less than reassuring". The most encouraging sign was a sharp rise in the component of the index measuring consumers' expectations. People were slightly more optimistic about job prospects but the numbers planning to buy cars or homes had fallen slightly.

Seven of 11 indicators contributed to the sharp increase in the index of leading indicators. A longer work-week, followed by faster monetary growth and a jump in building permits, provided the biggest boost.

An index of coincident indicators - which measures the current state of the economy - rose 0.7 per cent in February after a 0.6 per cent decline in January, another sign that the economy is turning around.

## Perot draws support from across the US as the Not-Bush-or-Clinton candidate

By Jurek Martin, US Editor, in Washington

MORE than one American in five would vote for H. Ross Perot, the Texas businessman, in a three-way presidential contest with George Bush and Bill Clinton, according to a nationwide poll conducted for the Los Angeles Times.

The degree of discontent with what is still the most likely match in November is underlined by the extraordinary fact that a third of those surveyed said they knew virtually nothing about what Mr Perot stood for.

Fleeting out his proto-candidate as an independent, Mr Perot has named retired Admiral William Stockdale, who spent eight years as a prisoner

of war in Vietnam, as his "interim" vice-presidential running mate. He needed to identify a number two by name in order to qualify for the ballot in 28 states. He has said he will run only if he is on the ballot in every state.

The poll, of 1,521 adults conducted last weekend, gave Mr Bush 37 per cent, Mr Clinton 35 per cent and Mr Perot 21 per cent in a three-way contest. Without Mr Perot, Mr Bush held a slim 48-46 per cent edge over Mr Clinton, who, in turn, led Mr Jerry Brown by a wide 53-45 per cent in preference for the Democratic nomination.

The latter findings will come as some relief to Mr Clinton, otherwise pressed at every turn by Mr Brown's insurgent

campaign in advance of the New York, Wisconsin and Kansas primaries next Tuesday. One New York TV poll, which did not predict a Clinton-Brown result, confirmed that the state's voters harbour ever increasing doubts about the front-runner's integrity.

It suggested that Mr Perot's putative support was drawn equally from Mr Bush and Mr Clinton. But its most telling finding was that 72 per cent of those surveyed thought the country was "heading in the wrong direction". Mr Brown has also capitalised on this sentiment.

Some caution obviously is in order. Independent candidates often look better in the spring than in the election proper and, in all postwar

elections, only one - the regional favourite, George Wallace from Alabama - scored in double digits, in 1968. At about this time in 1980, a comparable Los Angeles Times poll gave John Anderson 23 per cent, which fell to a mere 7 per cent of the vote in November.

But 1980 was a very different political year. Mr Anderson, a liberal Republican, ran as an alternative to Ronald Reagan's conservatism and President Jimmy Carter's indecision but was eventually squeezed out by the two main party juggernauts.

Neither is now running on all cylinders and the electorate is more clearly disenchanted. In this vacuum, Mr Perot, inundated with telephone calls



Perot: proto-candidate

urging him to run, must be encouraged by national poll findings like this one and has the financial resources to wage a campaign.

## Collor in talks on new government

By Christina Lamb in Rio de Janeiro

BRAZILIAN President Fernando Collor is expected to announce a government of "national reconciliation" following the resignation of his administration on Monday.

The resignation of more than 30 ministers and federal secretaries was apparently initiated by Mr Collor, disturbed by the avalanche of corruption scandals involving senior government figures.

He spent yesterday morning meeting state governors from different political parties, apparently to broaden his political base. Mr Pedro Luis Rodrigues, Mr Collor's press secretary, said: "The president is determined to choose ministers of excellent quality."

So far Mr Collor has announced only two new ministers. Mr Celso Borge, head of the Electoral Commission, is to become the new law minister. Mr Helio Jaguaribe, a leading

political scientist and critic of Mr Collor from the Social Democratic party (PSDB), has been named secretary for science and technology and will act as co-ordinator of social policy. The PSDB said this did not mean that the party would enter a coalition.

Eight ministers have been confirmed in their posts - those for economy, education, health, labour and social action, and the three military ministers. However there has been no word yet on three big ministries - foreign affairs, agriculture and infrastructure - or on 26 of the federal secretaries.

Mr Cesar Maia, a congressman from the main opposition party, criticised the move as "a very dramatic way of getting rid of a few people". He added: "You don't need to burn the house down to replace a sofa."

But reaction in Brazil has been generally positive. The Rio market rose 6.9 per cent yesterday and the Sao Paulo exchange was up 5.6 per cent.

## Argentina set for \$3bn IMF credit

THE board of the International Monetary Fund was yesterday due to approve a \$3bn (\$1.7bn) extended fund facility for Argentina, writes Stephen Fidler in Washington.

The funds will be disbursed over the three-year life of the programme. Approval of the programme is an important part of the government's attempt to secure a comprehensive restructuring of its debt with commercial banks.

Some 26 per cent of the funds can be set aside for use as "enhancements", funds used to guarantee the concessional bonds exchanged for bank debt under the Brady Plan restructuring.

The EFF follows an 11-month, \$1.1bn stand-by loan facility agreed in July last year by the Fund. It will be seen as an important contributor to that its exporters could now export freely to the US market. Trade officials said negotiators would continue to meet

bilaterally and multilaterally to resolve outstanding issues, but no specific time frame had been set.

The MSA would have phased out tariffs on steel, eliminated non-tariff barriers and outlawed direct state subsidies for steel production.

The sticking point for the US has been the wish of the EC and other steel exporters to permit without restriction aid for research and development, environmental upgrading, redundant steelworkers and factory closures, coupled with measures to limit countries' recourse to anti-dumping and countervailing duty actions.

Neither the US nor the EC would confirm the figures under discussion, but negotiators are believed to be talking about direct subsidy levels of between 30 and 35 per cent, compared with the EC's original offer to reduce the level to 45 per cent.

In return, the US would have to agree to peg indirect support to a much lower figure, perhaps as low as 5 per cent. The EC believes the US government has been channelling subsidies to manufacturers in the form of defence and space research grants.

Two years ago, advertisement in a big market. The anti-incumbency mood seems stronger this year, with the general discontent with politics-as-usual in Washington reinforced by specific factors. The House of Representatives' cheque-bouncing scandal has helped drag Congress down to its lowest-ever level of public esteem. The movement to limit the terms of elected officials has gathered some steam; voters in the state of Washington last November rejected such an initiative, but this has been offset by a recent Supreme Court ruling leaving intact a new limitation law in California.

Also, the 1990 national census has meant the redrawing in the last two years of many congressional districts to reflect shifts in the national population. Finally, an unusual number of sitting congressmen, about 50 in the House and six in the Senate, have announced retirement or have already been defeated in primary elections.

Some, like Mr Warren Rudman, the Republican senator from New Hampshire, made his own incumbent look over his or her shoulder, by issuing farewell blasts against the political establishment's unwillingness and inability to

face up to real problems. The only hard evidence of the strength of feeling against incumbents came on March 17th in Illinois, the first primary combining both presidential and congressional races. It saw several entrenched incumbents thrown out and others winning only with greatly reduced majorities. Local and personal circumstances were dominant in some cases, but not in all.

As a result, the forecasts for what might happen in Congress this year are being reconsidered. The 435-seat House of Representatives - currently split between 268 Democrats, 166 Republicans and one socialist independent - could get as many as 100 new faces in November, approaching the post-war high of 118 in 1948.

There are 35 seats up in the Senate, where the Democrats hold a 57-43 edge, 30 defended by Democrats and only 15 by Republicans, and the proportional turnover could be as great.

Naturally, as the minority party in Congress, the Republicans sense a rare opportunity, especially if President Bush's onslaught on Democratic control of Congress takes hold. It

was considered inconceivable that the Democrats could lose control of the House, which they have run since 1954, and it probably is still unlikely. But, assuming the Democrats lose some seats, the House might acquire the sort of ideological majority that prevailed in President Reagan's first term, with conservative southern Democrats, probably the least vulnerable at the polls, often joining forces with their Republican colleagues.

In the Senate, the additional Democratic vulnerability means that an earthquake comparable to that which produced a Republican majority in 1980 for the first time in 26 years cannot be ruled out. As many as 13 Democratic seats, several won in 1986 when control was wrested back, are reckoned to be particularly shaky, compared to only seven for the Republicans, according to a recent survey by the National Journal.

Part of the Republican optimism in the House stems from the fact it has done better than expected in the state fights over redistricting. The general population shift to the south and west, giving California, for example, seven more House seats, favours the Republicans,

but this might have been negated by Democratic control over the majority of state governorships and legislatures which redraw boundaries. That seems not to have happened.

Money continues to favour incumbents, but smart money always hedges its bets. Moreover, Mr Jerry Brown has already demonstrated in the Democratic presidential primaries that it is possible to make a political virtue out of running on a shoe-string, with small contributions and thus beholden to no special interest group. Perhaps because of this, nearly twice as many challengers have declared their intent this year as against this time in 1980.

These are, however, very early days. Most congressional primaries will not take place until the summer and autumn. Even then, it will be difficult to differentiate between national sentiment and local circumstance. Equally, the impact of the presidential race is unpredictable. Ronald Reagan's coattails, long in 1980, had disappeared by 1984. Ticket-splitting had become, in effect, the national norm, and even if the plague on incumbency becomes endemic, the end result may be similar.

## NEWS: WORLD TRADE

## Indonesia in \$850m pulp and paper venture

By William Keeling in Jakarta

A \$850m (\$495m) integrated pulp and paper factory is to be built in Aceh, northern Sumatra, Mr Hartanto, Indonesia's industry minister, announced on Monday. Initial capacity is expected to be about 75,000 tonnes a year, although Mr Hartanto said the plant would eventually reach 1,000 tonnes per day.

The plant, expected to start production of rayon-grade pulp in 1995, is a joint venture between PT Rajadason Holding and Investment Company of Indonesia, with 60 per cent of the equity, and Ballarpur Industries Ltd of India, with 40 per cent. Ballarpur will manage the plant.

Indonesia's pulp and paper industry has a total capacity of over 2.5m tonnes a year from more than 50 mills and is growing fast. In 1990, pulp production increased 223 per cent to 682,700 tonnes, with production in 1991 estimated at 981,000 tonnes. Paper production increased from 1.1m tonnes in 1990 to an estimated 1.47m tonnes last year.

The industry's capacity will increase further this year with the expected completion of a \$111m newspaper plant in Cilong, owned by PT Aspek of Indonesia, with a capacity of 100,000 tonnes a year.

## China's oldest economic zone to expand

CHINA'S oldest special economic zone plans to expand its borders beyond Shenzhen, official reports said yesterday, in another sign of Beijing's renewed support for free-market reforms. AP reports from Hong Kong.

The official China News Agency, in a dispatch from Beijing, said the zone, a centre for capitalist-style development in China, would grow six times in size when it absorbed nearby Bao'an County.

The zone, now 327.5 sq km (126 square miles), borders the British colony of Hong Kong.

## Community accuses US of blocking steel accord

By Frances Williams in Geneva

NEGOTIATIONS on a new multilateral code governing world steel trade broke up in acrimony yesterday as the European Community accused the US of blocking an accord. The proposed Multilateral Steel Agreement (MSA) was intended to replace voluntary restraints on steel exports to the US market, which expired last night.

Mr Rufus Yerxa, deputy US trade representative, said yesterday the US could not accept an agreement "that lacks meaningful disciplines over

subsidy practices and unduly restricts our ability to use domestic trade laws to counter those practices."

The EC and the other 24 countries involved in the talks fear that failure to reach a deal will result in a rash of anti-dumping and anti-subsidy suits by US steel producers seeking an alternative method of protecting the domestic market. The US administration has decided not to renew the restraint arrangements and EC officials made clear yesterday that its exporters could now export freely to the US market.

Trade officials said negotiators would continue to meet

## Aircraft subsidies talks resume

By Andrew Hill in Brussels

EC and US negotiators began last-ditch talks on subsidies for aircraft yesterday, determined to resolve their outstanding differences.

"We really are going into this session here tonight with the purpose of finishing this," said a senior EC official before the meeting began. The talks were expected to run late into the night and could continue today even though the "two sides' self-imposed deadline for a solution expired at midnight. This is the third time in a

fortnight that Mr Hugo Faen-ten, the EC's senior trade negotiator, and Mr Michael Moskow, the US deputy trade representative, have met for negotiations centred on the level of direct government subsidies for Airbus Industrie, the EC manufacturing consortium, and indirect grants for US manufacturers.

Both sides have commented on the positive atmosphere of last week's Washington talks. The principal problem now is working out the exact levels of subsidy which each side is prepared to allow the other and concede on behalf of its own

manufacturers.

Neither the US nor the EC would confirm the figures under discussion, but negotiators are believed to be talking about direct subsidy levels of between 30 and 35 per cent, compared with the EC's original offer to reduce the level to 45 per cent.

In return, the US would have to agree to peg indirect support to a much lower figure, perhaps as low as 5 per cent. The EC believes the US government has been channelling subsidies to manufacturers in the form of defence and space research grants.

## Malaysia in frigate deal with GEC

By David White, Defence Correspondent

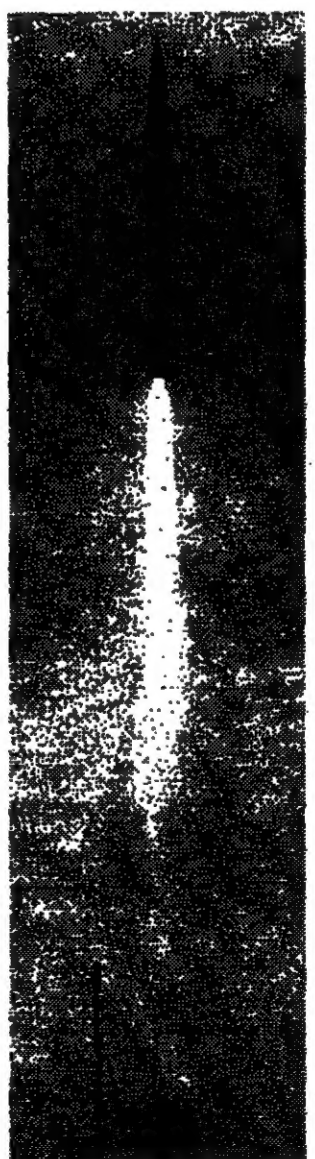
MALAYSIA has ordered two frigates from Yarrow Shipbuilders, part of the British GEC group, in a package worth £400m.

The deal, confirmed by GEC yesterday, is considerably larger than expected and provides a crucial boost to the Yarrow yard on Clydeside. The long-awaited contract, held up since last autumn by negotiating difficulties, is the first overseas warship order Yarrow has won since it was sold by the UK government in 1985.

The 105-metre helicopter-carrying frigates are larger vessels than the corvettes that were originally under discussion with Yarrow. Their armament includes BAE Vertical Launch Sea Wolf missiles for air defence, the first export order for these weapons.

The Malaysian order, which includes weapons, electronic systems, spares and training, brings to well over £1bn the volume of defence purchases under a 1988 agreement between the UK and Malaysian governments. Other contracts include British Aerospace Hawk jets and GEC-Marconi air-defence radars.

The deal follows confirmation earlier last month of a \$150m deal for two smaller corvettes for Oman by another UK warship builder, Vospers Thornycroft.



Take-off: A Vertical Launch Sea Wolf missile

## NEWS IN BRIEF

## Japan offers Algeria untied loan of \$300m

The Export-Import Bank of Japan is to lend Algeria \$300m (\$173m), part of a co-financing with the World Bank which last June extended a \$350m financial sector adjustment loan to north Africa's largest country, writes Francis Ghillea.

The loan, part of the Japanese government's fund recycling programme, is the first untied loan of this nature to an African or Middle East country. Algeria's foreign debt currently totals \$23.4bn.

In a further gesture of support for Algeria's economic reforms, the Export-Import Bank is expected to extend two further loans soon.

The first, amounting to \$100m, will be earmarked for the revamping of a liquid petroleum plant belonging to the state oil and gas monopoly, Sonatrach. The second, an \$80m co-financing with the World Bank which is expected to lend \$200m, is for the extension of Sonatrach's production capacity.

Japan's support for Algeria when debt repayments are severely constraining the North African country's capacity to import vital spare parts and semi-processed goods is also a recognition of Algeria's dogged perseverance in refinancing its \$23.4bn foreign debt rather than rescheduling it.

## IRI in \$62m Polish gas rig order

IRI International, a joint venture company formed by Ingersoll-Rand and Dresser Industries of the US, has won a \$62m order from PGNiG, Poland's state gas and oil corporation, to supply natural gas-drilling rigs, writes Andrew Baxter.

The deal is the largest purchase of this type of equipment with the PGNiG. The five mobile and five stationary rigs will be financed from a \$250m World Bank loan for Poland's mining industry.

Ingersoll-Rand is a leading US manufacturer of industrial and construction equipment. Dresser-Rand, another joint venture between it and Dresser, supplies hydrocarbon processing equipment and services.

## Kvaerner £196m ship deal

Norway's Kvaerner group said yesterday that Kvaerner Masa-Yards, the Helsinki shipyard it owns, was awarded a NK2-8m (£196m) contract to build the fifth in a series of cruise ships for Miami-based Carnival Cruise Lines, writes Karen Fosell in Oslo.

The 71,000-ton ship, to be called *Imagination*, is to be delivered in the autumn of 1995 and will have capacity for 2,600 passengers.

Mr Erik Toensteth, Kvaerner's president, said yesterday that the new order brought Kvaerner Masa-Yards' net order book up to an estimated Nkr5bn.

Two sister-ships to *Imagination*, *Sensation* and *Fantasy*, are due for delivery from Masa-Yards respectively in 1993 and 1994. Kvaerner has two Finnish shipyards, one in Aabo and the other in Helsinki, which combined employ 4,100 people.

## Dyno seeks US joint venture

Dyno Industries, the diversified Norwegian group with main interests in chemicals, said yesterday that its US unit Iteco was holding talks with Imperial Chemical Industries' US unit, Atlas Powder, to establish a joint venture to produce dynamite for the North American market, writes Karen Fosell.

Dyno said that the aim of a new joint company was to take over, rationalise and continue the dynamic production of the existing two companies. "It is expected that the parties will complete negotiations during the summer of 1992," Dyno said.

The company explained that negotiations on the consolidation come as a result of the continuing fall in demand for dynamite in North America.

Dyno said Iteco and Atlas Powder had combined annual dynamite production of 36,000 tonnes. Last year worldwide explosives sales accounted for 22 per cent of Dyno's Nkr3.5bn turnover.



# ABB raises stake in rail manufacturer

By Roland Rudd  
and Andrew Baxter

ASEA Brown Boveri, Europe's largest electrical engineering group, yesterday increased its stake in Britain's largest railway equipment manufacturer to 80 per cent as the government announced new orders for the company.

The Swiss-Swedish group announced that it had acquired Trafalgar House's 40 per cent stake in Brel - formerly British Rail Engineering Limited. Although the terms of the deal were not revealed it is understood that ABB paid a nominal

sum, believed to be a £1. for the 40 per cent stake.

Trafalgar's investment has been written down to £1 because of Brel's mounting losses and adverse publicity arising from defects in the class 158 express trains. Trafalgar's loan stock in Brel, worth about £130m, is due to be repaid by Brel in 1994/5.

News of ABB's acquisition coincided with the announcement that British Rail - the state rail network - has found the finances to place a £130m order for new coaches which could save 1,500 jobs at Brel in York.

Mr Roger Freeman, transport minister, told the local Conservative MP, Mr Canal Gregory, that BR are proposing to place an order shortly for 186 Network Coaches for Network SouthEast.

Mr Gregory is defending a majority of just 147 in the April 9 general election: the narrowest government majority in Britain.

The government had been under pressure from Labour's transport spokesman, John Prescott, who had written to Malcolm Rifkind, transport secretary, urging him to allow BR to place an immediate order

with Brel in York.

BR confirmed yesterday that it expected to place the order by mid April, although it may not necessarily go to Brel. The only other competitor is Metro-Cammell, part of GEC Alsthon. The corporation also announced that it had ending its long-running dispute with Brel over the cost of modifications and repairs to the 447 Class 158 trains being built by Brel, mainly for BR regional services.

Trafalgar House, meanwhile, recently reported a £26.5m provision against its investment in Brel and had made no secret

of its unhappiness with its involvement in the railway equipment maker.

A financier involved in the deal suggested that the combination of events yesterday was no coincidence and that BR was under intense pressure to place the order with Brel.

ABB and Trafalgar House installed Mr Bo Södersten, an experienced railway executive, as Brel's new chief executive in place of Mr Peter Holdstock six months ago.

Since his appointment Brel has cut 1,000 jobs and substantially reorganised its new construction division.

## Britain in brief



### UK executive charged in BCCI inquiry

Mr Nazmudin Virani, the chief executive and chairman of Control Securities, the UK pubs and property group, has been remained in custody for a week after appearing before City of London magistrates, charged in connection with the Bank of Credit and Commerce International investigation.

Mr Virani is charged on one count of conspiring with Mr Mohammed Moizul Haque and others to present false accounts to the value of \$4m (£2.3m) to Price Waterhouse, BCCI's auditors.

It is alleged that the accounts misleadingly showed that BCCI was owed the money by three companies: Duffield, Impactlight and Virani Group UK.

### Lloyd's losses may be £1.65bn

Losses at Lloyd's of London in 1989 could be as much as £1.65bn according to figures circulated by the Association of Lloyd's Members, which represents over 9,000 Lloyd's Names - the individuals whose assets back underwriting at Lloyd's.

Financial Intelligence & Research, which acts as consultants to the ALM, have offered best and worst case scenarios for 1989 results, based on provisional estimates supplied to them by Lloyd's agents. According to the best case scenario there would be a loss of £1.061bn in the 1989 results, which Lloyd's will report officially in June.

### Porsche GB director quits

Mr Peter Bulbeck, managing director of German sports car maker Porsche's UK subsidiary for the past eight years,

has left the company. A spokesman for Reading-based Porsche Cars Great Britain, whose sales have more than halved from their 1980s peak confirmed that Mr Bulbeck is succeeded by Mr Kevin Gaskell, 33, former general manager, sales and marketing.

Mr Bulbeck's resignation became effective yesterday, after his request, at a board meeting of the Stuttgart car maker's wholly-owned subsidiary on March 20, to take early retirement. The company rejected any connection between Mr Bulbeck's departure and other changes. Porsche has struggled for sales in the face of recession and Japanese competition.



### Canadian to launch TV bid

Mr Moses Znaimer, the Canadian broadcaster (above) who founded City TV in Toronto, is to lead a bid to operate a new commercial station in Britain.

Mr Znaimer has set up a new company - Five TV - to bid for the so-called Channel 5 licence which is expected to be advertised in early April. Channel 5 should be able to reach three quarters of the UK audience by conventional transmitters.

### Labour would reverse sale

Labour would reverse the proposed £60m sale of County Hall to Japan's Shirayama Corporation so as to be able to return the building to its former role as the seat of London government.

The party intends to use the site to house its planned "silk-line" Greater London Author-

ity, Shirayama, a family-owned Osaka property company, intends to turn part of the building into a hotel, with the rest being used for luxury flats and conference facilities.

### Row likely on gas prices

British Gas is heading for a row with its regulator over the company's moves to raise the price it charges rivals to transport gas through its pipeline system.

The price rises are shown in a document published by the company which suggests changes to simplify its pricing structure for gas transportation. But Sir James McKinnon, director general of Ofgas, the industry regulator, said yesterday: "the pipeline business is a low or no-risk business and there's no reason for its rate of return to be higher than the current level and maybe that's even too high."

### Lautro could limit charges

Life insurance companies could face limits on the charges they pass on to customers who terminate policies before maturity, under new measures proposed by a consultant to Lautro, the industry's self-regulatory body.

The proposals could require companies to make significant changes to the system of paying sales agents. The current system allows commissions to be paid "up-front" as soon as the policy is signed.

It could also address one of the most persistent consumer complaints about the life insurance industry - the small percentage of premiums which are refunded to those who cancel policies early.

### Island votes on homosexuality

The Isle of Man has taken a major step yesterday towards falling in line with Europe regarding its laws on homosexuality. The House of Keys, the lower house of the Manx parliament, voted for acceptance of a clause in the Sexual Offences Bill de-criminalising homosexual acts in private between consenting males over 21 years.

## Wind farm orders 103 turbines

By Andrew Baxter

THE commercial exploitation of windpower in the UK took a leap forward yesterday with the placing of an order for 103 turbines to power a wind farm in mid-Wales, which will be one of the largest in Europe.

Mitsubishi Heavy Industries of Japan will supply the turbines for the wind farm near Llandinam in Powys. It will be only the second wind farm to be built in the UK. The turbines have an output of 300kw each, giving the wind farm a total power capacity of 31MW.

The wind farm is being built jointly by Tomen, a Japanese trading house, EcoGen, a UK company formed in late 1990 to bring together a number of interests working on commercial wind power, and SeaWest, a US company, the world's largest independent developer of wind farms.

The mid-Wales project is the first of several planned by the three companies, which could involve total spending of £200m (£206.6m) over the next few years.

EcoGen has been working on identifying a number of UK sites for wind farms. The order for the turbines follows the project winning planning permission in February.

Mr Kirby said another site on Anglesey had also won planning permission.

## Power links to cancer questioned

By Clive Cookson  
Science Editor

THE EVIDENCE that electromagnetic fields generated by electrical appliances and overhead power lines can cause cancer is inconclusive, according to a comprehensive review released yesterday by the National Radiological Protection Board (NRPB).

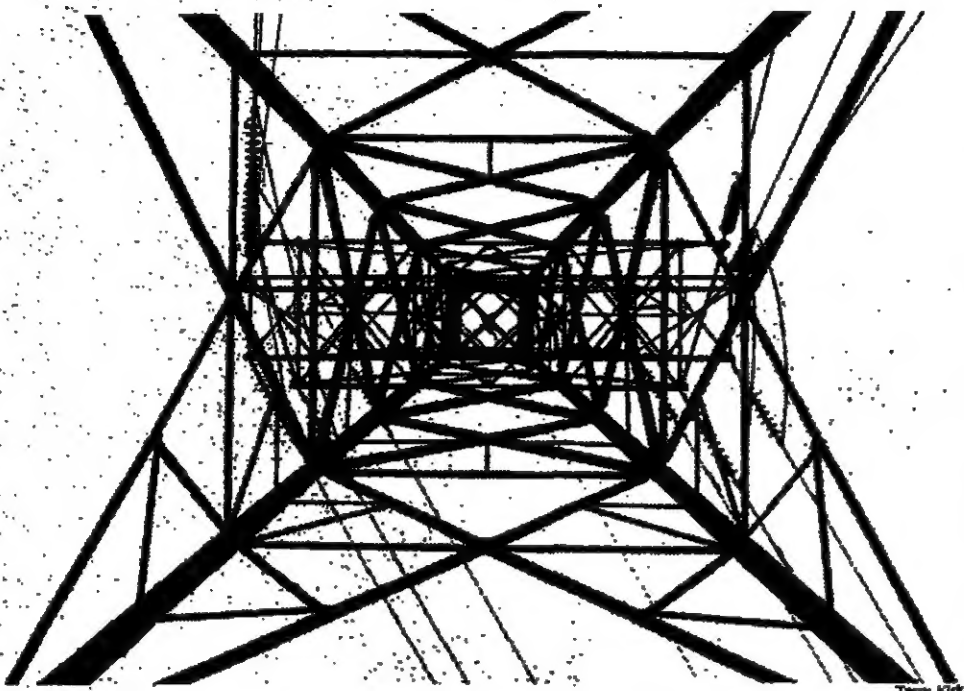
The NRPB is to sponsor more research into the health effects of non-ionising radiation, which everyone living in an industrialised country is exposed to through the use of electricity.

The data available so far "do not appear to provide the basis for restricting human exposure to non-ionising electromagnetic radiation," said Mr Roger Clarke, NRPB director.

An NRPB committee chaired by Sir Richard Doll of the Imperial Cancer Research Fund carried out the review. Mr Clarke called it "the biggest study published anywhere in the world on cancer and electromagnetic fields."

The subject is controversial because some environmental groups, particularly in the US, are convinced that electromagnetic fields can damage health. They have used the alleged cancer risk to campaign against overhead power lines, and some cancer patients living close to power lines are now suing electric utilities.

A report by the US Environmental Protection Agency in 1990 concluded that there was a statistical link between expo-



sure to electromagnetic radiation and human cancer.

The EPA report was withdrawn before publication because other federal agencies in the US were not happy with it.

Sir Richard told an NRPB press conference in London yesterday that the EPA draft report "was so inadequate in so many ways that it could not be adopted."

The NRPB report reviews more than 60 studies of occupa-

tional cancer in electrical workers and eight studies of childhood cancer. Leukaemia and brain cancer are the two diseases most likely to be associated with electromagnetic fields.

"I am confident that there is no occupational hazard of leukaemia," Sir Richard said. There was more chance - though no clear evidence - that a small excess of brain cancer among electrical workers might be due to electro-

magnetic radiation.

Professor Nicholas Grant of King's College, London, another member of the NRPB committee, said the evidence for childhood cancer was "weak".

He added that exposure to electromagnetic fields at home might increase the cancer risk by as much as 50 per cent to 100 per cent - equivalent to one extra case per 1,500 children - or there might be no extra risk at all.

Five years from now, will you be  
able to change your communications  
architecture as easily?

Despite what some companies may tell you, the future direction of communications technology is practically impossible to predict. But whether you're a telephone company or its customer, you have to make choices now. Stand alone or networked? Public or private? Wired or wireless? With so much uncertainty, how can you ever plan ahead?

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## NEWS: UK

## ELECTION 1992

## PM denies rift with Lamont over finance

By Philip Stephens and Peter Norman

MR JOHN MAJOR, the prime minister, and Mr Norman Lamont, the chancellor, yesterday insisted that a re-elected Conservative government could combine the return to a balanced budget with modest year-on-year reductions in taxation.

As the state of the country's public finances remained at the centre of the election debate, the prime

rejected suggestions that he was at odds with his chancellor over the outlook.

Speaking at his campaign press conference Mr Major insisted that Mr Lamont's warning earlier this week about the very limited scope for either tax reductions or public spending increases had been directed at Labour's spending plans.

Mr Lamont said on the BBC's Election Call programme yesterday that the government could extend the

new 20p rate to more taxpayers during the life of the next parliament by making small adjustments to the rate band that would be less expensive than the £2.3bn it would cost to reduce the 25p basic income tax rate by one p.

Although he repeated his view that the government's financial room for manoeuvre was limited, he said that there was some room in the government's plans published at the time of the Budget for a modest

cut in the basic rate of tax later in the 1990s. However there was not sufficient scope for Labour's spending programme, which he had costed at £38bn.

Dismissing the gloomy report by the accountants Coopers & Lybrand Deloitte, prepared for The Independent newspaper, Mr Major said that a resumption of growth in the economy would take the public sector back to "broad balance" by the end of the next parliament.

The suggestion in the report that a Conservative government might be obliged to raise income tax in order to balance the budget rested on economic assumptions not accepted by the government.

Mr Lamont reaffirmed his commitment to balancing the budget over the course of the business cycle and said he was optimistic that Britain would return to the growth rates of the 1980s.

He admitted that the UK's

national debt would increase slightly in the next few years but insisted that Britain had a very low ratio of debt to gross domestic product compared with other EC states. He said he was "very determined" to achieve a balanced budget and would maintain tight control over public spending to achieve that.

He also forecast that unemployment would fall and that the economy would once again grow as fast as it did in the 1980s.

## Kinnoch accused of CND cover-up

By Michael Cassell, David Owen and Ivor Owen

THE LABOUR leadership was yesterday accused by the Conservatives of covering up the fact that at least 24 of its candidates had been members of the Campaign for Nuclear Disarmament.

On the eve of a planned Tory attack on Labour defence policy, Mr Chris Patten, the Tory party chairman, challenged Mr Neil Kinnock to disclose how many of his party's candidates were still CND members.

Last night's Conservative party political broadcast portrayed the Labour party and Mr Kinnock in particular as being unsuitable to take charge of Britain's defences. The broadcast claimed that at least 100 Labour MPs in the last parliament were CND members.

Mr Patten has written to Mr Kinnock insisting that the public has the right to know how many Labour candidates are CND members. He wrote: "Your shameless cover-up of Labour's strong and continuing links with unilateral disarmers cannot be allowed to continue any more."

Mr Michael Heseltine, the environment secretary, also played the CND card while campaigning in Dulwich. He said: "You can't learn the lesson of defence strategy in the nurseries of CND."

He added: "You can't fight terrorism by repealing the Prevention of Terrorism Act. You can't encourage home ownership by pushing up taxes and losing control of interest rates."

Documents released by Conservative Central Office along with yesterday's broadcast suggested that all references to CND membership, originally intended for inclusion in Labour's official list of candidates, had been removed. Only Mr Bruce Kent, the former chairman of CND who is standing in Oxford West and Abingdon, has his CND connection mentioned.

Joining the attack, Mr Tom King, defence secretary, rounded on Mr Gerald Kaufman, Labour's foreign affairs spokesman, who claimed earlier this month that his party had "nothing whatever to do with CND".

Mr King said the attempt by the party leadership to cover up the links with CND was a "manifest fraud". He claimed Labour had 165 "anti-nuclear" MPs seeking re-election and another 85 candidates with the same views standing for the first time.

Mr King said Labour was determined to ensure that defence did not become an issue. The constitution of CND included the unilateral, unconditional rejection of nuclear weapons, a stance which could not be squared with Labour's election manifesto.

He warned that Labour would cut defence expenditure by several times more than the Conservatives, leading to "a wholesale disarmament of substantial parts of our armed forces".

## Fall in sell-offs may threaten shadow Budget

By Peter Norman, Economics Correspondent

A FALL in privatisation receipts in the financial year starting in April next year could pose a threat to Labour's spending plans.

Although Mr Neil Kinnock, the Labour leader, said on Monday that Labour would be "on a par" with the Tories as regards income from privatisation, he said a Labour government would not add to projects in the pipeline. This suggests that Mr John Smith, if he becomes chancellor, could face a £9.5bn shortfall in revenues in 1993-94 and 1994-95.

The Treasury Red Book published on Budget Day envisaged privatisation proceeds of £5bn in the financial year starting today and £5.5bn in each of the two subsequent financial years.

Whichever party is in power after the election is assured of privatisation proceeds of more than £6bn in 1992-93. But income of only £1bn is assured for 1993-94, while in 1994-95 the level of receipts assumed at this stage falls to about £500m.

Nearly £5.9bn of this year's privatisation receipts will come from second and third instal-

ments of past share issues. The second instalment from the sale of the Scottish electricity companies should yield £285m in May, to be followed by £1,915m from the second instalment of the second BT sale in July, and £1,465m from the third payment due from the sale of the regional electricity companies in September. A third instalment from the BT sale is due next March and should yield £1,675m.

A further inflow of £350m in 1992-93 is expected from repayment of debt and other small items. In addition, the government has announced plans to privatise Northern Ireland Electricity for about £350m.

The Red Book envisaged a rise in the government's public sector borrowing requirement to £28bn in 1992-93 and £32bn in 1993-94, and subsequent declines in borrowing to £25bn in 1994-95 and £19bn in 1995-96.

However, these projections take into account the £18bn of privatisation proceeds expected in the current and two following financial years. Without this income, the next government would face borrowing totals of £37.5bn in 1993-94 and £30.5bn in 1994-95.



High Noon: David Mellor (left), Michael Heseltine and John Major, the Conservative candidate in Lewisham West, on the campaign trail yesterday

## Positive theme shows Tory variation

By Philip Stephens, Political Editor

THE IMAGES emblazoned on the walls behind Mr John Major and his colleagues at Conservative central office yesterday morning were for once positive.

The blackened tax "bombshell" at the heart of his party's onslaught on Labour's economic strategy had been replaced by a soft-focus photograph of a young schoolboy working happily in the classroom. On the opposite wall was a poster illustrating the steep rise in home ownership delivered by three successive Conservative governments.

Mr Major was joined by Mr Michael Heseltine and Mr Kenneth Clarke - two of his campaign "A Team" - to spell out the brighter future promised by a fourth electoral triumph. The important subtext was that Labour would wreck it.

It was the message that Mr Major has been trying to convey since his weekend inquest into the faltering Conservative

election effort. The aim was to respond to the judgment of party canvassers that wavering voters need positive encouragement to vote Conservative as well as further cause to shun Mr Neil Kinnock.

A few hours later Mr Heseltine played a starkly different tune. The television cameras were invited to the marginal London constituency of Dulwich to hear the environment secretary deliver the bluntest attack of the campaign so far on Mr Kinnock's leadership.

The headline on his press release - "It's the biggest load of Kinnocks I have ever heard" - reflected accurately the tone of a vituperative attack on the Mr Kinnock's leadership.

The sudden lurch from the positive to the negative came as no surprise to those following the Conservative election effort. Nor did it inspire confidence that the party has mapped out a plan for the final phases which will succeed in revitalising a hitherto lacklustre campaign.

So far the strategy pursued by Central Office has projected confusion rather than clarity. It has left the impression that a carefully pre-drafted blueprint has been cast aside in favour of violent tactical swerves. On the campaign trail Mr Major has found an old-fashioned soapbox a more effective means of communication than the expensively contrived events planned by his campaign team.

Labour entered the fray with a single theme - time for change - and has pressed it since with the relentless professionalism which comes from 13 years in opposition.

The Conservatives started with several tunes but have seemed unsure from day to day which to emphasise, which to discard. Senior ministers talk one day of the need for more "positive" campaigning, the next of how the party needs to take a more aggressive line in attacking Mr Kinnock.

The caring Conservatism for the 1980s at the heart of Mr Major's election manifesto was

relegated to the background within days of the election announcement. Initial embarrassment about the party's past quickly gave way to a campaigning style of which Mrs Margaret Thatcher fully approved.

Mr Major - the prime minister who had planned to stand aloof from the fray to capitalise on his popularity - was quickly sprinkling his speeches with bloodcurdling attacks on his Labour opponent. By last weekend that was all judged too negative - until, that is, Mr Heseltine's latest speech signalled a new round of attacks on Mr Kinnock.

Those running the campaign have answers for the critics. Winning an election in the midst of recession was never going to be easy. Nor could the image-makers have been expected to forge a seamless link between 11½ years of Thatcherism and 16 months of Majorism. The Conservatives cannot erase so recent a past.

Mr Major is inexperienced and Mr Chris Patten has to run

both the general election and his own campaign in Bath.

The strategists argue also that day-to-day tactical adjustments have not shifted the party from the ground on which it decided from the outset it would fight the election - taxation, economic competence and leadership.

Whatever other issues have grabbed the headlines since the campaign started, it has returned repeatedly to tax. Nearly two-thirds of the voters have been persuaded that Labour would take more from their wage-packets.

The evidence of 1983 and 1987 confirms that in the privacy of the polling booth, tax ranks much higher in most voters' minds than they are prepared to admit to the opinion pollsters.

The Conservatives insist that this and the other familiar tunes on Mr Kinnock and the economy will play well for them between now and April 9. But so far they have too often looked like an orchestra without a conductor.

## Major climbs on Falklands soapbox

By Alison Smith

MR JOHN MAJOR yesterday brought the "Falklands factor" into his election campaign, seizing on reports that Mr Neil Kinnock might be prepared to begin negotiations about the islands' future. Tomorrow it is 10 years since the Argentines invaded the Falklands.

In Chester, standing on his now-indispensable soapbox, Mr Major said: "What do we hear from the Labour leader as we come up to the anniversary of the Falklands war? He wants to enter into discussions about what the future of the Falklands should be."

"I wonder what message that gives to the soldiers, airmen and navy men who actually fought in that war and to the people still living there."

In a weekend interview, Mr Kinnock indicated that Labour might be ready to negotiate with a stable Argentine democracy about the status of the

Falklands, provided that there were enforceable guarantees about the islands' security.

He said: "There cannot be anything done without the active consent of the people of the Falkland Islands. Too much has been expended, the loyalty is too great and the status is too important for there to be any abandonment of the needs and desires of the people of the Falklands."

Mr Major also highlighted the contrast between his campaigning and the more "closely minded" style of Mr Kinnock. He capitalised on the presence of a lone heckler in the crowd of a few hundred. "It's nice to see one member of the Labour party who doesn't live in a field train, secreted from the rest of the world," he said.

"Wherever I go between now and April 9 this soapbox is coming with me." There is no way they are going to stop the Conservative message getting right out on the streets."

## City Watch: Barry Riley

## Tax concern displaces many broader issues



FINANCIAL markets may go up and down (mostly down, so far) but how will the City of London itself be affected by the election outcome? European economic and monetary union is one key issue. By the end of this year the European Community is due to choose the location of the new European Central Bank (ECB). The UK will hold the EC presidency for six months from July, so the decision could be taken at Edinburgh summit in December.

The Labour party is committed to active ERM negotiations; its manifesto says that the ECB's headquarters should be in Britain (though, curiously, not specifically in London). The Liberal Democrats are also positive about ERM. But the Conservative wait-and-see approach is scarcely designed to lure an important community institution.

According to Mr Richard Breeley, a London Business School professor: "Where the central bank is based hardly

matters. Where it deals clearly does."

Another significant decision in late 1992 could well concern the choice of a new governor of the Bank of England, to succeed Mr Robin Leigh-Pemberton in July 1993. The Liberal Democrats want to give the Bank independent powers; other manifestos are muted on this. However, the Maastricht Treaty committed any future British government to start in 1994 the process leading to independence for the Bank.

Mr David Lomax, economic adviser to National Westminster Bank, thinks the Conservatives could turn out to have a much more positive attitude to the EC in the next parliament, given the departure of many leading hardliners.

As for a Labour regime, he argues that it would repudiate the notorious opt-out clause inserted by the Conservative government at Maastricht. "I see Europe as a struggle for power. The opt-out clause is really quite debilitating in that respect for the UK."

Labour's more positive attitude to Europe counts for little in the City compared with its threatened tough tax regime

for high-earners. There are fears that foreign financial executives would move overseas if their income-tax rate jumped from 40 to 50 per cent.

It is possible, though, that a Labour chancellor might be willing to make tax concessions to foreigners, as Mr Denis Healey did in the 1970s.

Another damaging tax development might be the retention of ½ per cent stamp duty on share deals, set for abolition when the Stock Exchange Taxation electronic settlement system is running. The shadow Budget retained stamp duty worth almost £800m for 1993-94, but suggested it might still be abolished, albeit a further year late.

Little is said on investor protection in the manifestos, apart from a somewhat surprising Conservative proposal to shift overall responsibility for financial regulation from the Department of Trade and Industry to the Treasury.

In general it is likely that Labour would be more interventionist than the Conservatives have been and might not be so willing for the crises to drag on indefinitely at Lloyd's of London, for example.

## Scrapping to scrap the agreement

Breaking Britain's accord with the Irish Republic is a unionist electoral goal. Tim Coone reports

On a clear day, Scotland can be seen from the coast of County Antrim in Northern Ireland. Just 15 miles away across the Irish Sea, it is the closest the British mainland comes to Ireland.

The most visually spectacular part of the province, where tourists visit the Giant's Causeway, is the heartland of Paisley politics. The Reverend Ian Paisley, a giant of a man himself, champions the cause of maintaining and strengthening the increasingly tenuous union with Britain across that narrow stretch of water.

The manifestos of Paisley's Democratic Unionist party and of the Ulster Unionist party led by James Moynihan, both set the scrapping of the 1985 Anglo-Irish Agreement as their main electoral goal.

The Unionists see the agreement as a betrayal of the union. Dublin must have no role in Northern Ireland's affairs they say. They are campaigning for a devolved regional assembly, but at the same time want stronger constitutional links with Britain.

Proposals by the nationalist SDLP for Northern Ireland to become a region of a federal Europe, and be considered with the republic for the purposes of EC funding, would lead to

eventual rule from Dublin, say the unionists.

Canvassing in pouring rain in his North Antrim constituency town of Ballymena, Paisley flashed his characteristic broad grin at passing drivers who tooted their horns and gave him the thumbs-up.

"We are not against being good neighbours with the Republic, but we are against being taken over. As a region of Europe we would become an annex to Eire," he said.

But can the Unionists hope to increase their share of the vote on such a platform, with unemployment at 15 per cent in the province and terrorism deterring inward investment?

Hostility to the Anglo-Irish agreement was the main feature of Unionist manifestos in the 1987 election, when their total share of the vote fell by 2.3 percentage points to 54.8 per cent, and the UUP lost the border constituency of South Down to the SDLP.

Demographic trends are working against the Unionists. In the four Belfast constituencies, the number of registered voters has fallen by some 14,000 to 217,000, over the past 10 years. Most are middle and working-class Protestants moving out to new housing estates in the suburbs.

As a UUP party official said:

"They are moving to constituencies where the Unionist vote does not need strengthening."

He added that "51 per cent of the children in the schools are now Catholic".

The fact that, for the time being, the nationalist vote is split between the SDLP and Sinn Féin, the political wing of the IRA, assures the Unionists of holding on to Fermanagh and South Tyrone, Mid-Ulster and South Belfast. All three could fall in a future election to a combined nationalist vote.

The SDLP last month rejected a move by Sinn Féin to agree a "compromise candidate" to challenge the UUP's Ken Maginnis in Fermanagh and South Tyrone.

The UUP holds nine of the 17 Northern Ireland seats and the DUP three, all with comfortable majorities. In North Down, the DUP is fielding a candidate against Jim Kilfedder, the veteran independent Unionist - the Alliance party and the Conservatives are also standing.

Traditionally, the UUP has been the party of Protestant gentlemen farmers and middle class, while the DUP has attracted working-class votes.

Differences between the UUP and DUP are now mostly over personalities and style."

according to Peter Robinson, the DUP deputy leader and the sitting candidate for East Belfast.

The DUP and UUP are confronting each other only in three constituencies where the total Unionist vote is so large that a split could not let in a nationalist. Robinson said these contests were in preparation for elections to a devolved assembly, which both parties expect to take place next year.

"People will vote for who is seen to be the better Unionist," he said.

The issue of Europe reveals deeper differences. The DUP is implacably opposed to the Maastricht treaty and moves towards regionalisation and a federal Europe. The UUP is more circumspect. It has a more pragmatic office at its headquarters in Belfast and its manifesto states "it is prudent to contribute in a positive sense to the various internal debates within the community institutions".

The DUP says it is the only Northern Ireland party that opposes the Delors proposals on European political union and is not part of any political grouping in the European parliament. Paisley says the "mainly Roman Catholic" European Christian Democrat block

Robinson's office is at the Dundonald Ice Bowl, a bowling and ice rink built two years ago with 50 per cent funding from the European Community. The shouts and screams of children playing filter up to his office. "I am quite happy to milk the cow before slitting its throat," he said.

In the event of a hung parliament, both the DUP and UUP say that with the 12 combined seats they can hope to retain, they will not enter into a coalition, but will vote as a block supporting the incoming government for as long as this serves Unionist goals.

In spite of Labour's manifesto commitment to a united Ireland, both say the Conservatives "have done more damage" to the union, than has Labour when in government.

A hung parliament is possibly the Unionists' last hope to reverse the Anglo-Irish agreement, and place a bulwark against the "Europeanisation" of Northern Ireland.

For the Unionists, taxes, government spending and investment are secondary issues in this campaign. Like the rain which frequently blots out that view to Scotland, such considerations obscure the "real" issue of Ulster's link to Britain. They confidently expect the voters will prove their point.



## ELECTION 1992

## Lib Dems court key tactical voters

By Ralph Atkins

THE LIBERAL Democrats changed tack in their campaign yesterday and appealed directly to voters in more than 250 seats where the former Alliance parties came second in 1987, mostly to the Conservatives.

The switch away from policy issues marked a recognition that the party's chances of making gains next week depend heavily on mobilising anti-Conservative voters.

Mr Des Wilson, campaign director, avoided talk of "tactical voting". The party is determined to be even-handed and highlight also the seats where they are second to Labour. But they risk upsetting supporters in constituencies not on Mr Wilson's list.

Ironically, the launch coincided with campaigning by Mr Paddy Ashdown, Liberal Democrat leader, in Scotland where the party benefits from the

first-past-the-post system. Liberal Democrats are defending 10 Scottish seats and may lose only one or two.

In the vast Inverness constituency, where Liberal Democrat Sir Russell Johnston faces a difficult task fighting off Labour, Mr Ashdown's visit was overshadowed by Scottish nationalist protesters who organised a noisy walkabout in the shopping centre.

Adding to Mr Ashdown's misfortune, his visit had to be truncated when the closure of Aberdeen airport forced a long coach journey and the cancellations of events there. At a rally in the city Mr Ashdown said: "In nearly half of the constituencies at this election, it is the Liberal Democrats who are the challengers. As we move forward again, it is increasingly the Liberal Democrats who can win."

The Liberal Democrat campaign against the "wasted vote" syndrome reflects frustra-

tion about the domination of the campaign by Labour and the Tories.

A party election broadcast today will list 261 constituencies, mostly in southern England, where the Liberal Democrats are the main challengers and refer to three-way marginals where the party might also have a chance. Afterwards the campaign will be focused at a local level in "best prospect" seats.

Mr Wilson quoted a Harris survey in September showing 47 per cent of voters would back Liberal Democrats if the party had a chance of winning. In Aberdeen, Mr Ashdown said a sign of the growing Liberal Democrat success was "the sign of the growing panic of the other two parties". At his London press conference earlier Mr Ashdown had said: "There is something different happening out there."

Personal view, Page 22

## Lang is caught in the crossfire

By James Buxton, Scottish Correspondent

WHEN Ian Lang, the Scottish secretary, embarked a few months ago on an election strategy aimed at splitting the Labour vote in Scotland, he was always the most likely person to be shot down in the crossfire.

Yesterday's opinion poll in his own Galloway constituency, putting him seven points behind his Scottish National party opponent, gave the first detailed evidence that this may indeed be the case.

It was a sign that April 9 could be a catastrophe for the Scottish Tories to match the one in June 1987, when they lost 11 seats. Two other Tories fighting strong challenges from the SNP in rural constituencies could also be doomed: Mr Bill Walker, with a majority of 5,000 in Tayside North, and Sir Nicholas Fairclough with 5,000 in Perth and Kinross.

With Labour snapping at the Tories' heels in Ayr and Stirling, the Scottish Conservatives could lose five of the nine seats they still hold in Scotland, which elects 72 MPs.

Mr Lang had to try to make the best of the Tories' wretched hand in campaigning for the party in Scotland. He knew many Scots simply wanted to get the Conservatives out after 13 years in which they have ruled Scotland with a dwindling minority of MPs. The Tories had ignored majority Scottish opinion on most issues, imposed the poll tax a year earlier than south of the border and became seen as the English party, especially because of their rejection of a devolved Scottish parliament.

Mr Lang, who has not been an inspiring secretary of state, realised it was too late for any plausible last-minute conversion to devolution - which anyway was anathema to half his party. He gambled that by presenting the constitutional debate as a straight choice between the status quo and independence he would split the anti-Tory vote, as well as rally support for the union.

For weeks up to the election he called he said little against the SNP but published Labour and its plan for a devolved parliament. Since then the Tories have attacked all parties.

So far the balance sheet contains more red ink than black. The SNP has about 27 per cent support in Scottish polls, at which it can win the three Tory rural seats - including Mr Lang's - but not make big gains from Labour. Support for the union has not moved decisively upwards, and backing for the Tory party has been static at about 22 per cent.

Yet gloom is not universal. "My campaign is going excellently," said Mr Struan Stevenson, the Tory candidate for Edinburgh South who is fighting to overturn Mr Nigel Griffiths' 1,800 majority for Labour in 1987. He says Mr Neil Kinnock has replaced Mrs Margaret Thatcher as a hate figure: the Liberal Democrats, who as the Alliance won 22 per cent of the vote last time, have collapsed; and the SNP is making inroads into Labour's vote among young people in the housing schemes.

In Stirling, Mr Michael Forsyth, the Scottish education minister and a strong Thatcherite, is defending a majority of 548. His campaign is "running on oiled wheels", according to a senior party official. He is

relying on the SNP taking votes from Labour.

With the Liberal Democrats doing poorly in the Scottish opinion polls (two polls have put support for them at below 10 per cent) some Tories believe they can unseat Mr Menzies Campbell in Fife North East (majority 1,447).

"It's incredibly difficult to predict any of the results where we stand to win," says a senior party figure, "because each is a four-horse race in a marginal. But you're making a mistake if you think only in terms of the seats we will probably lose."

But while Mr Stevenson says he had volunteers turning up in their wellies at 7.30am yesterday to canvass in the rain, a bleak picture comes from a Tory worker in a Labour safe seat in industrial Fife.

"Usually in elections people swarm in offering to help," she says. "This time they're just not interested. We haven't got enough people for canvassing, we just mail out leaflets. Our appeal for contributions to our fighting fund produced virtually nothing, even from companies. It's terribly depressing."

## Galloway turns its back on the south

By Bethan Hutton

MR IAN LANG, the Scottish secretary, is discovering that success at the highest level of politics is not always an asset in the fight to keep a seat in parliament.

Mr Lang won Galloway and Upper Nithsdale, in south-west Scotland, from the Scottish National party in 1979 and became Scottish secretary in 1990. Now many of his constituents seem to have decided they would be better off with an MP who was somewhat less preoccupied with high office.

There has been speculation throughout the campaign that Galloway would return to the SNP, and there was confirmation of Mr Lang's vulnerability in a System 3 poll published in yesterday's Herald newspaper.

The poll showed SNP support at 40 per cent in the constituency, with Mr Lang on 33 per cent and supporters of other parties prepared to vote tactically against him. He stands to lose a seat where he had a 3,600 majority in 1987.

In the constituency yesterday, some were speculating openly about what title Mr Lang would be given in the House of Lords.

But Mr Lang was putting a brave face on the poll finding. He said his canvassers had found the Conservative vote holding up well, with no sign of being overtaken by the SNP, and he dismissed the poll as an "unrepresentative snapshot".

He has twice turned down invitations to take part in a public debate with his rivals for the seat. His rivals say this is a sign that he is worried. Climbing through the ranks of government has left Mr Lang little time to cultivate his vast constituency, which has few large centres of population. It is both geographically and economically diverse, with the port of Stranraer to the west of the mountainous centre, and the former mining town of Sanquhar, which has the highest level of unemployment in Scotland, to the north-east.

It is difficult to keep a high profile in such a large area, but critics say that Mr Lang has not tried hard enough. He claims to have spent an average of one and a half days in each fortnight in the constituency.

The amount of time he has spent in the seat has increased during the campaign, but it could be too late to convince voters of his merits as a constituency MP.

"He doesn't seem to have done much for us - he's too busy down in Westminster," one voter said yesterday. This is a view which canvassers say has been echoed many times on the doorsteps.

Farmers in particular, the backbone of the local economy, say they have lacked a strong voice for their needs in negotiations over European Community policy.

The SNP says that an independent Scotland would be better-placed to put its case in the EC.

But it may not be questions of policy which lie behind the upsurge in support for the SNP - the issue has become Mr Lang himself.

## Brown steps up attack on economy

By David Owen

LABOUR yesterday stepped up its attack on the government's economic record in London and the south-east, claiming that for the first time in years more companies were going under than were being formed.

Mr Gordon Brown, shadow trade and industry secretary, unveiled figures which he said showed that company deregulations in Britain were running at a faster rate than last year. He said the figures undermined the government's contention that more companies were being formed than were going out of business.

As the fight for crucial marginal seats in the capital heated up, the Conservatives kept up the offensive over Labour's tax plans, saying they would hit Londoners hardest. Labour's policies on high salaries, combined with big mortgages in the capital, would leave Londoners worse off than people elsewhere in the country, Mr Michael Heseltine, environment secretary, said.

Campaigning in marginal Dulwich, Mr Heseltine later referred to "a mounting mood of optimism on the streets". The figures revealed by Mr Brown showed that more than 20,000 companies had deregistered in the first two months of this year, compared with 105,000 in the whole of 1990 and 110,000 last year. No month-by-month breakdown was provided for the preceding years, but Mr Brown said the figures - which he said came from Companies House - suggested "an annual rate of at least 120,000". This made "the scale of company failures even greater than the figures so far published".

Mr Bryan Gould, shadow environment secretary, described London and the south-east as "the region of the country where this is happening at the greatest rate". Conservative Central Office said the latest deregistration figures should be seen in the context of the "huge numbers" of businesses created in the last 13 years.

Labour also set out an agenda for tackling the capital's recession, incorporating a London Development Agency, a technology trust and a regional exports service.

Mr Brown said this would be targeted particularly at small businesses. The party would bring together the "often discordant" national export services offered by the Foreign Office, the Overseas Trade Board and the Department of Trade and Industry.

## THE ISSUES: ARTS

## Tory manifesto measures steal the show

IN HIS campaign for the US presidency Pat Buchanan has spent lavishly on advertising, including President George Bush's "permissive" attitude towards the arts and promising to ensure that the National Endowment for the Arts, the US equivalent of the Arts Council, was "shut down, padlocked and fumigated".

No such outbursts are likely to enliven the British election campaign. It is generally agreed that there are few votes in the arts.

The party taking the arts most seriously is, surprisingly, the Conservatives, which features the arts prominently in its manifesto and proposes quite dramatic changes. Labour, traditionally the more vociferous champion of the arts, has few radical proposals.

In recent years the Conservatives have stolen much of Labour's programme, awarding increases in annual subsidies ahead of inflation, and trimming the Arts Council while encouraging devolution of decisions over specific funding projects to regional arts boards.

It now proposes a cabinet place for a minister covering the arts, broadcasting, heritage, tourism and sport. The ministry will enjoy around £200m of the revenues from a national lottery. This money would be devoted mainly to capital costs - shorting up cathedrals, theatres and museums and projects like building a national dance house, to mark the millennium.

The Tories also plan to trim the arts bureaucracy. The role of the Arts Council will be re-examined. It might be left to act as a think-tank for the arts. Given recent reductions in its funding powers its future cannot be guaranteed; it might be allowed to maintain the hallowed "arms-length" funding principle by which it sets the grants for the big national

companies like the Royal Opera House and National Theatre, or these companies could be subsidised directly by the government.

Against this barrage of proposed change Labour's plans look, well, conservative. It has little new to say about the Arts Council, which it also sees mainly as a propaganda body for the arts. It is hesitating over a lottery, saying it does not want to undermine the football pools companies; and it is stepping gingerly over its old plan to merge ministerial responsibility for broadcasting with that for the arts.

Labour hopes to increase expenditure on the arts by raising more tax revenue from commercial interests that exploit the arts, like the record and video industries, and by forcing local authorities to spend a set percentage of their revenue on arts projects.

The Liberal Democrats plump for continuity and change, maintaining the Arts Council, in deference to the arms-length principle, and guaranteeing BBC licence fee funding, but also wanting cabinet status for the arts minister and higher national spending. The manifestos are more interesting for what they leave out. On the heritage side, no party has a sensible answer to the increasing loss of important art treasures abroad because of weak export controls and inadequate museum funding.

The only obvious source of new money for the arts is the lottery but already there are too many applicants for its theoretical bounty, too many fears that if it does happen direct government funding will be reduced in line. Like much else, the future for the arts depends less on political promises than on an economic recovery.

Antony Thorncroft



Family at war: Posters in a house in Liverpool's Broad Green constituency support both the official Labour candidate and Terry Fields, who was expelled from the party for alleged militant links, and defends the seat as an independent

## Opposition buoyed in Southampton

By David Marsh

SOUTHAMPTON'S Labour supporters yesterday displayed quiet jubilation over an opinion poll giving the party a seven-point lead in one of the city's two seats.

The two Tory MPs in the south-coast marginals, though clearly thrown on to the defensive, derided the survey as "maverick" and out of step with reality.

Mr Alan Whitehead, the ambitious leader of the city's Labour-controlled council, who is fighting in the Southampton "Test" constituency, said the city was "like another planet" compared with the 1983 and 1987 elections. Mr Whitehead stood and lost in both those battles. "Now, we're confident of winning," he says.

Evidence of a swing to Labour - given 46 per cent of the vote - Test against 38 per cent for the Tories in an ICM poll for Today newspaper - was supported by a sampling of street opinion yesterday.

Five out of 10 people in Shirley High Street, a residential area of Southampton, said they would vote Labour, including two who backed the Tories last time. Three declared Conservative allegiances, with one opting for the Liberal Democrats and one undecided.

A young mother pushing her baby said her high mortgage payments would make her vote Labour. A matronly volunteer in an Oxfam shop supported the Tories because of fears about a Labour government. "I'm not very happy with either of them," she confided.

An unemployed youngster starting a training course, opted for Labour "because the Tories have demolished the country".

Such defeatism was dismissed yesterday by Mr James Hill, the veteran Conservative MP for Test, defending a 6,854 majority. To capture Test and the twin constituency of Itchen, Labour will need a 7 per cent swing.

Mr Hill said the poll would make his supporters try harder. A Labour government would cause a run on the pound and have to be bailed out by the International Monetary Fund. Comparing Labour with a "blusterer" bragging about his driving prowess, Mr Hill said it might be salutary for Mr Neil Kinnock to have "a turn at the wheel".

Mr Christopher Chope, the Conservative incumbent in Itchen with a 6,716 majority, refused to think the unthinkable. Support was holding up well, he said.

Mr Chope said he had even taken his campaign to London's Wembley Stadium at the weekend to see Southampton play Nottingham Forest in the Zenith Data Systems Cup Final.

Furiously plugging the anti-Labour line, he said Mr Kinnock, if elected, would kow-tow to the unions. "His paymasters will be wanting a pay-back," he declared.

This was not, Mr Chope admitted while shaking hands with mothers at a local school yesterday, an election where there was much to be positive about.

## Searching for clues in a microcosm

Richard Tomkins visits Bristol, where the electorate mirrors the nation as a whole

BRISTOL, capital of south-west England, holds a peculiar fascination for psephologists. With roughly the same socioeconomic breakdown as that of Britain as a whole, it represents the nation in microcosm. The slave trade, tobacco, aerospace and defence in turn brought prosperity. The late 1980s brought an influx of service-sector businesses lured from London by an attractive environment, low costs and easy access along the M4.

For a while, Bristol looked as though it had become an honorary member of the south-east. By 1983 the Conservatives had four of the city's five seats, and in 1987 they defied the national trend by increasing their share of the vote.

Today, Bristol could be ripe for a Labour comeback. Indeed, if Labour is to stand any chance of triumphing in the election it must do well here.

Bristol prospered in the 1980s, its defence industry, led by companies such as Rolls-Royce and British Aerospace, was resilient to the last

recession. When it ended, the service sector fed the city's growth. Now the city is suffering. A shakeout in financial services has coincided with defence cuts. British Aerospace and Rolls-Royce alone have shed 2,000 jobs, and unemployment has shot up from 5.9 per cent to 9.3 per cent over the last year.

Labour's chances of electoral recovery rest on the fact that it can look to a sizable bedrock of support. Bristol retains a sizable manufacturing base, a large working class and a Labour city council.

But Labour has a fight on its hands. It is not helped by vestiges of the wrangle for power between the party's own left and right. The Kinnockites won the upper hand in the local party, but businessmen still speak with frustration of the council's alleged anti-business stance, and Labour's one MP in the city, Dawn Primarolo, is a leftwinger.

Ms Primarolo has not endeared herself to the moderate vote by refusing to pay her poll tax until served with a Na-

bility order. But her Bristol South seat is a solid working-class constituency, and the fact that she clung to it amid Labour's poor local performance in 1987 suggests she can only do better this time.

Winning Tory seats is another matter. One that will not go Labour's way is William Waldegrave's Bristol West. Although it includes St Paul's, scene of the notorious 1981 riots, it is dominated by the elegant terraces of Clifton and the leafy suburbs of Henleaze and Stoke Bishop, and has never voted anything but Tory.

Labour has two easier targets. Bristol East, a mixed bag but broadly working class, was captured from Tony Benn by Jonathan Sayeed in 1983 and swung further to the Tories in 1987 when Labour fielded left-winger Ron Thomas. This time Jean Corston, a model of Kinnockite orthodoxy, needs only a 4.1 per cent swing to take it back.

An even smaller swing - 2.8 per cent - is needed to retrieve Kingswood. This constituency on Bristol's eastern

fringe includes just the sort of owner-occupying skilled workers that Labour needs to win over. The catch is that the sitting Tory, Robert Hayward, is a strong constituency man who commands a personal vote.

The highest challenge is Bristol North-West. A classic marginal, it has been won six out of seven times in the past 25 years by the party that has won the election. Socioeconomically mixed, it takes in the Rolls-Royce and BAE plants at Filton, and skilled workers make up a significant proportion of its electorate.

These might just turn the vote against Michael Stern, the somewhat colourless Conservative incumbent. Many upwardly mobile families moved out of inner-city terraced houses into the vast Bradley Stoke estate on the constituency's northern periphery. Heavily mortgaged, they have seen the value of their property slump. Some have lost their jobs as well.

Robert Fisher, 29, should have been an archetypal Conservative voter. A fire-protec-

tion engineer, he says he is working class, but ambitious. He moved from Bristol to Canada in 1988 to get a better job and two years later moved back to a new home in Bradley Stoke for the same reason.

Last year he was poached by a company offering him a career path into management. The move backfired. Within months he was made redundant. Once in demand, he has been unable to find a job in his field within 100 miles. He and his family - his Canadian wife Christine and nine-month-old daughter Sarah - receive barely enough in income support to pay the mortgage.

It is not for want of trying for other jobs. "I applied to be a shelf-stacker at Asda," he says. "There were 35 vacancies, but 1,600 to 2,000 people applied. I didn't get the job; they said I was over-qualified."

Labour needs a swing of 6 per cent to win Bristol North-West. Robert Fisher says he is going to vote Labour: if there are enough like him Neil Kinnock could be the next prime minister.



Key voter: Robert Fisher at home with his wife and daughter



'Yes, it has all changed since we opened out'



# ELECTION 1992

## Labour details education plans

By Ivo Dawney, Political Correspondent

LABOUR BROUGHT education under the election spotlight yesterday by spelling out how it would allocate £200m in extra funding for schools and colleges.

At a national news conference held at Salford University, Mr Neil Kinnock said policy, such as assisted places schemes, had created a two-tier system that "mocks the idea of the classless society that the Conservatives say they want."

Labour would raise investment in schools. "It's time to get back to basics - more qualified teachers, new books, better buildings," he said. Mr Kenneth Clarke, education secretary, dismissed the extra cash, arguing that it was no guarantee of raising standards. He said the £200m boost promised compared with the £1.8bn extra spent by the Conservatives in the two years he had been education secretary. Setting out Labour's additional spending programme, Mr Jack Straw, the education

spokesman, said £448m of the £200m put aside in the shadow Budget for the next 22 months had been allocated to England. The remaining £152m would go to Scotland, Northern Ireland and Wales, and also included an undisclosed figure for contingencies. He detailed the programmes set to benefit from the new funding as follows:

- school repairs, attracting the largest sum of £130m for capital spending, plus £30m to eliminate outdoor lavatories;
- a further £120m for new

- school books, calculated at £10 per pupil, almost doubling the existing allocation;
- new classroom equipment for older children at a cost of £40m;
- £50m each for cutting the size of larger classes, a national reading standards programme and the creation of student housing and hardship funds;
- a further £10m on hiring "mentors" to advise new teachers in their first years at work;
- an already announced £88m childcare programme, also

funded from the Budget windfall. The education manifesto, entitled "It's Time to Modernise Our Schools", reiterates Labour's commitment to provide nursery education for all 3- or 4-year-olds, whose parents want it, by the year 2000. It also pledges to switch £50m in funding allocated to the government's City Technology Colleges into the nursery system. Mr Straw said Labour would "steadily increase" investment in education.

Joe Rogaly

## Ready for the worst



If last night's polls are right, Mr Neil Kinnock's Labour party is on the way to becoming the undisputed winner.

On Friday week, a single set of polls in mid-campaign is not, however, conclusive, especially on All Fools day.

Yet the election is beginning to run to a pattern, deadly for the Tories. They started with a poor hand and have played it badly. They chose the deepest point of a long recession as voting day and ran a campaign that is the second-worst since 1950. On last night's figures, it looks as if only a huge mistake by Labour, or an unpredictable mind-changing event can save them now.

We waded up members of the House of Commons are prepared for the worst. For the one prospect we have all along regarded with about as much foreboding as an overall majority under the control of Mr Neil Kinnock is a renewed overall majority under Mr John Major. Both have done their utmost to bamboozle the electorate. Mr Kinnock pretends that there is such a thing as an egalitarian health system to be had for a mere £1bn plus a statement of good intentions; Mr Major that planning name badges on the laps of civil servants elevates subjects to the status of citizens.

The former prevaricates when he presents a manifesto that seems to promise, yet does not guarantee, steadily increasing public expenditure. The latter stretches the boundaries of honest discourse when he talks of annual tax cuts but says he cannot be certain that they will be deliverable every year. Both know that we can afford neither reduced taxation nor additional spending. Mr Kinnock wriggles his way around this by intimating that Labour will stimulate highly unlikely

rates of growth; Mr Major does likewise for the Conservatives. I leave aside Mr Paddy Ashdown, for there is no chance of his Liberal Democrats winning any kind of a majority. He is running for the coveted post of elected dictator, but he is certain to come third. That is a blessing. What Hang Parliament supporters dream of is new parties and coalition government.

Such a thing is alien to the British parliamentary tradition. That is why, attractive as it may be, genuine electoral reform for the commons is likely to be resisted by both the larger parties, albeit with greater determination by the Conservatives than by Labour. It is more wishful thinking to regard a hung parliament as the inevitable precursor of constitutional reform.

### The Commons comes alive when you have to count probable votes

Such a parliament would nevertheless be better than one put back to sleep by another overall majority. The House of Commons comes alive when administrations have to trouble themselves to count probable votes for every bill they invent. After 1987 the Tories had a majority of 100-plus. Power went to their heads. They forced the poll tax through. It was nearly enacted by a backbench revolt. Had there been a hung parliament the attempt might never have been made.

Next time it could be different. Absent a Labour landslide, the smaller parties might separate the big two. The assorted Celtic nationalists might account for between 25 and 30 seats; the Liberal Democrats for as many again. The likely performance of Mr Ashdown's candidates is, however, one of the more unpredictable factors

### THE ISSUES: PERSONAL FINANCE

## Tax looms large in sea views

TAX is one of the central planks of the Conservatives' campaign. Judging by the savers and investors of Worthing, a south-coast resort where a high proportion of residents live off retirement income, the issue strikes home with the Tories' core supporters.

The private investors of the quiet streets and seaside views of the West Sussex town, where the Conservative Mr Terence Higgins is defending a 18,500 majority, stand fairly solidly behind Mr John Major. Labour's policy shifts have not impressed them. On the basis of Mr John Smith's alternative Budget, few would be worse off and some would gain from the pensions increase. One has to be very wealthy to enjoy investment income of more than £40,000 a year - the rate at which Labour's 50 per cent tax would apply - and retired people would not be hit by abolition of the £405 per week National Insurance ceiling. Labour has also dropped a planned 9 per cent surcharge on investment income.

Nevertheless, the general belief is that whatever Labour says now, it would significantly raise taxes for everyone when in office. Mr Cecil Thiricut, a residential landlord, says: "John Smith puts his

case over better than Lamont but there is the shadow of previous Labour treatment of high income tax and interest rates."

Mr Frank O'Mahony, a retired headmaster, says: "I go by past records and I remember Labour's 83 per cent tax rate. They will wear their old spots once they are in power." According to Mr Patrick Warren-Gash, a former coffee planter in Kenya: "When Labour gets in and read the books, they will change their tune."

Memories of the 1974-79 Labour government are strong. "The record proves that they cannot keep inflation down," says Mr Kenneth Finney, a former telecommunications executive. Mr Neil Kinnock is particularly unpopular. "I don't trust him," says Mr John Cameron, a retired civil servant. "He's made more twists and turns than Torvill and Dean."

Part of Labour's problem may be that its case does not get through. In spite of repeated denials that it will reduce the capital gains tax threshold to £1,000, Tory supporting newspapers and one of the country's largest financial-adviser groups, Noble Lowndes, were last weekend describing this as Labour pol-

icy. Capital gains tax, which was only paid by 165,000 people last year, is probably not an important issue. But Mr Major seems to have struck a chord with his plans to reduce the inheritance tax burden. Mr Thiricut says: "When you've worked hard and want to leave your property to your family, it's a bit galling when the government takes a huge chunk away."

On inheritance tax, Labour has indicated that it would like to move to a recipient-based levy, but the party has not spelled out its plans.

The various tax shelters the Conservatives have introduced, such as Peps (personal equity plans) and Tesses (tax-exempt special savings accounts) did not seem to arouse much enthusiasm in Worthing. Investors were aware of the opportunities to save tax, but many cautiously kept their funds in property or building societies.

"I regret that financial products have become too complex for the average person," says Mr John Simons, who invested in bedsit properties after a long career in agricultural research. Labour's plans on these issues have in times lacked clarity. Ms Mo Mowlam, one of the party's Treasury team, said last year: "We would not con-

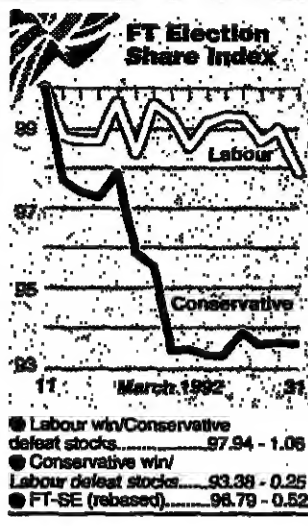
tinue the tax relief to Peps." But another of the team, Mr Chris Smith, said earlier this year: "We don't have any intention of sweeping them [Peps] away." Instead, Labour might create an expanded version of the Peps, with bonds and cash products included.

It would be wrong to say support for the Tories among savers in Worthing is unanimous. Mr John Hamill, a retired tax expert with advisers Wilfred T. Fry, was planning to vote Labour because he would not mind paying one or two pence in the pound for improved public services. Mrs Jean Cameron, a former secretary, was inclined to vote Liberal Democrat because of the party's education plans.

Mr Chris Dale, a management consultant, described himself as a floating voter, saying that neither party had policies to encourage the growth of manufacturing industry along the lines followed by Japan's Ministry of International Trade and Industry.

But for many Worthing savers support for the Tories is a tribal loyalty, best summed up by Mr Finney. "The Conservatives look after the middle classes."

Philip Coggan



SHARES that might benefit from a Labour victory suffered one of their steepest drops of the campaign as the "Labour gainers" section of the index slid a full point. Eight of the 10 shares fell and two were unchanged. "Conservative gainers" did less badly, dropping by only a 1/4 of a point - a decline that was only half that suffered by the FT-SE index. The FT Election Share Index is based on closing prices on March 11, the day the election was called. Since then Labour gainers have dropped by 2 points, and Conservative gainers by 6 1/2 points.



Shelter shunned: Peps, Tesses and other tax shelters introduced by the Tories arouse little enthusiasm in Worthing

## Short-head wins for Derby day

NEXT door to the Tea Cooey tea rooms in the Derbyshire village of Codnor the Tory campaign headquarters for Amber Valley is preparing for another day on the stump. A Volkswagen van with two wooden garden seats bolted to the floor has been loaned as a "bulletproof" car. Portraits of Winston Churchill, Margaret Thatcher and John Major stare down upon the party machine - a schoolboy taking time out of lessons, a few stalwarts and a mongrel dog called Vom. His full name is Vomit and he belongs to Phillip Oppenheim who has been the sitting MP since 1983. A few miles away the process is being repeated as another group of campaigners marches out of the Labour Party office in Ripley. The groups look much the same. Only the candidates differ in their dress: one wearing jeans, the other dressed quite stiffly in a buff-coloured military overcoat. It's the sort of coat that would get you past the doorman at the Carlton Club, and John Cooper, the Labour candidate, is rather proud of it. Tories can own mongrels and socialists can jut out their chins in Mr Major's classless society. Cooper, 35, is a barrister, playwright, and a product of comprehensive education. Oppenheim, the 37-year-old son of Baroness Oppenheim-Baroness, former minister for consumer affairs, comes from a long line of steel barons. He went to Harrow. The seat is one of a clutch of Derbyshire Tory marginals that could tumble if Labour's handwagon is strong enough to effect an 8 per cent swing - the sort of percentage it would need for an overall majority. Such a swing could also dethrone Edwin Curry in Derbyshire South and would almost certainly unseat Greg Knight in Derby North. John Beadle, Labour's veteran election agent for Derby North and Derby South (where Margaret Beckett, the shadow chief secretary to the Treasury, has a 3.5 per cent majority) has spelled out the importance of Derby: "We will not get a Labour government without Labour MPs from Derby North and South."

### Richard Donkin reports on the battle for seats in Derbyshire

To give Labour an overall majority at Westminster it must look a little further north to the Erewash, High Peak and

waged a relentless campaign against him and the taunts struck home. In a seat which Oppenheim never expected to take, he defeated Bookbinder in 1983 and increased his majority when he faced him again in 1987. This time he faces a confident and purposeful candidate in Cooper, who could take the seat on a much smaller national swing to Labour. It makes Amber Valley perhaps the most vulnerable of the Derbyshire seats held by the Conservatives. Its neighbour, Erewash, would need a slightly smaller swing to go to Labour. But Sean Stafford, the Labour candidate, is fighting with the handicap of being the deputy leader of the county council and with a pending court appearance on charges of using false expenses claims and perverting the course of justice. And how safe is Currie in Derbyshire South? Again on paper it would take an 8 per cent swing to Labour for her to lose. But demographic changes in her constituency and Tory successes in the last local government elections within her seat should ensure she gets back.

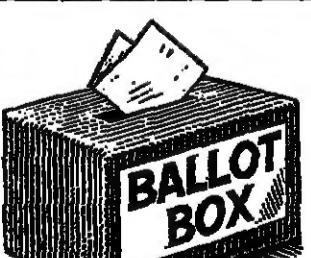
## Voters stay by the box

Here, perhaps, is one of the biggest electoral surprises of the lot. Voters are far from bored by the television coverage and are not switching off. The newly available BARB figures for the first full week of the campaign show modestly increased audiences for some news bulletins, while current-affairs programmes are holding on to respectable audiences. The biggest increases are for news bulletins at lunch and teatime. The BBC's One O'Clock News had an average audience of 4.3m, compared with the 1991 average of 3.8m. ITN's 12.30 news held steady at 2.4m. The BBC's Six O'Clock News was marginally up - 7.6m versus 7.4m - but ITN's News at 5.30 rose from a 5.6m average to 6.2m. Viewers' patience for politics, however, seems to flag a bit as the evening wears on. The BBC's Nine O'Clock News - very much the flagship - is down from 7.2m last year to 6.4m, and ITN News at Ten is down significantly more -

from 6.7m to 5.3m. Newsnight and Channel 4 are holding their own around the 1m mark. In the battle between the BBC and ITV, it looks at present like a hung BARR, with the BBC perhaps slightly in front.

### Lawyers galore

No fewer than 150 lawyers are standing for parliament this time round - surely a record no other profession can match. As has traditionally been the case, "M'learn'd friends" outnumber "Messrs Inter Alia". There are 91 barristers standing (61 Tories, 30 Labour and 10 Lib Dems), compared with 69 solicitors (42 Tories, 14 Lib Dems, 11 Labour and 2 Plaid Cymru). Why so many? The Bar has always been regarded as a sound platform for a career in politics - largely it seems because the courts rise at 1.30pm, allowing just enough time for the aspiring politician to nip down from the Temple to Westminster for important debates. Advocacy in one place goes with advocacy in another. It is less obvious why so many solicitors are attracted. Still, the Law Society, which spent most of the last parliament in conflict with the government, is taking full advantage. It has produced a 46-page election special covering a



range of issues from legal-aid pay to the role of solicitors in developing legislation. Prospective legal parliamentary candidates are expected to take them up.

### Falling odds

It's been a long wait for the man who had a bet on next Thursday's big race nearly three years ago. Patience, however, can be rewarded, he wagered £40,000 to win £110,000 that Labour would gain the most seats. Walk into any bookmaker today with £40,000 to place on the same bet and you would collect not much more than £13,000. Victor Chandler, the bookmaker which laid the bet in June 1989, will not disclose the client's name, saying only that he is "a leading entrepreneur". Yet whoever he is, his

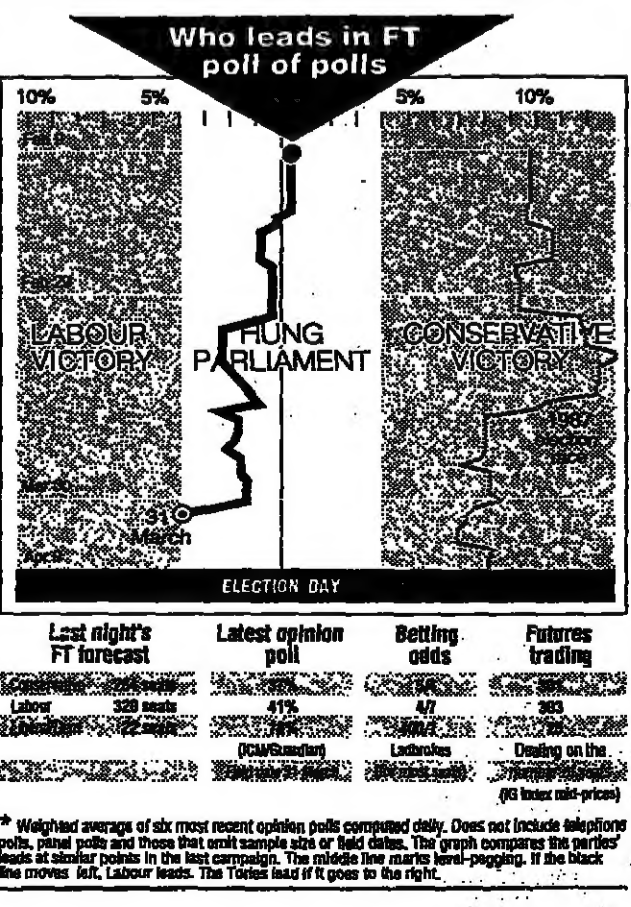
winning will be nothing like a political record. Ahead of the 1994 election, Sir Maxwell Joseph, founder of Grand Metropolitan, placed a bet of £50,000 - that is not far short of £500,000 today - on a not unexpected Labour victory. He collected more than £32,000.

### Achtung!

Labour is turning increasingly German in its use of language, using compound nouns rather than normal English. It has long been about "opportunity Britain" and "poverty pay". Yesterday Gordon Brown, one of the chief offenders, added to the repertoire. The shadow secretary for trade and industry described John Major as a "unemployment prime minister" and claimed that on April 9 the government faces a "recession reckoning". No doubt this is part of Brown's *Fuehrerprinzip*.

### Old times

Has the loony left reappeared in London or is the capital's sole evening paper getting desperate? The headline on the Evening Standard's main story yesterday read: "How can they do this to a child? Left-wing council puts boy in care of lesbian with criminal record - Exclusive."



## Poll shows Patten could lose Bath seat

By Gareth Smyth

LOCAL polls published yesterday suggested that Mr Chris Patten, Conservative party chairman, may lose Bath to the Liberal Democrats and that Labour is set to capture marginal Birmingham Northfield from the Tories.

A poll by Bath University gave Mr Patten 39.5 per cent, 1 point behind his Liberal Democrat challenger Mr Don Foster. Fieldwork was conducted between Wednesday and Saturday, with a sample of 871. The university has quoted a 3.5 per cent margin of error.

A survey by Quality Fieldwork for the Birmingham Evening Mail showed Labour with 55 per cent of the Northfield vote, the Tories on 33 per cent and Liberal Democrats on 11 per cent.

These figures on April 9 would represent a 14 per cent swing since 1987. Mr Patten may draw comfort from the experience of the 1987 opinion polls in marginal seats. Mr Robert Waller, of the Harris polling organisation, said 13

of 78 polls in 53 constituencies named the wrong winner, and 24 gave figures that were five or more percentage points away for at least two parties. The final polls taken for Channel 4 News and broadcast the day before polling, suggested that the Liberal Democrats were ahead in Cheltenham and Labour comfortably ahead in Calder Valley - all six polls during the campaign put Labour in the lead in Calder Valley.

The Conservatives won both. A Mori poll sponsored by electronics company Hewlett-Packard found that 59 per cent of computer executives would vote Tory, 23 per cent Liberal Democrat and 15 per cent Labour. But only about 40 per cent of the 200 executives with responsibility for information technology questioned were satisfied with the way the country was being run. They believed the government had a poor record on research funding, encouragement of IT companies and investment in training.

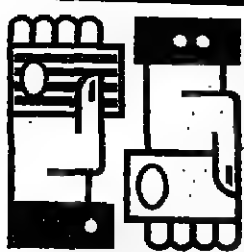


# FACTORING

Wednesday April 1 1992

PAGE 2: UK beginners' tough luck; role in 'export trade'; Mr Lamont and late payers

PAGE 3: US shows a gleam of hope; scandal shakes up the Italians; Japanese catch on



Factoring companies, whose function is to speed the cash flow of other businesses, are as vulnerable to

the recession as many of their customers. But while factoring has flagged in some countries, other markets have shown surprising growth, writes Charles Batchelor

## Time for a fresh image

IF anyone in the factoring industry had believed that it was immune to recession, the past 12 months will have dispelled that illusion. Bad debts and fraud have slashed millions of pounds from its profits.

Three of the smaller players withdrew from the market but even some of the larger, well-established groups have received a severe bruising. As it is, the casualty figure was restricted to CIT Invoice Factors, a small, though long-established company, and two recent entrants, Schroders and Westpac Banking Corp.

GT was forced to stop taking on new business when its financial backer withdrew support while Schroders and Westpac decided to wind down their factoring operations because of the tough trading conditions.

But in spite of the gloom, the factors and invoice discounters believe that the end to the recession - when it comes - will give them their chance to become a mainstream financing mechanism for business.

"Factoring will benefit from the attention which is being focused on the issue of late payments and the banks' caution about lending to smaller

companies," said Mr Alan Hughes, chairman of the Association of British Factors and Discounters (ABFD) and managing director of Griffin Factors (part of Midland Bank).

Whether this ambition is realised will depend on the industry dispelling what remains of its negative image for financing businesses in trouble. It will also require marketing managers to devise a vocabulary for the industry which has stronger appeal to potential customers.

Factoring is not a term which means much to many businessmen and women. Kellock decided to label its service as "cashflow finance" after a survey showed many businessmen and accountants did not grasp the role of factoring.

Thirdly, the bank-owned factors may have to devise ways of integrating their factoring and banking services more closely. Allied Commercial Finance, part of Allied Irish Bank, says it is developing a hybrid financing product.

In the short-term, though, the industry will be seeking to recover from its worst year for a decade. UK industry statistics compiled by the ABFD,



representing 11 of the largest companies in the business, showed growth of just 2.5 per cent in the turnover of companies serviced by its members to \$14.2bn last year.

This compares with a 14 per cent increase in 1990 and growth rates in the 25 per cent range in the late 1980s. This slow rate of increase was solely due to a 6.5 per cent rise in invoice discounting to \$8.4bn with both domestic and export factoring recording falls of 2.6 per cent, their first declines since 1981/82.

The much smaller companies

which make up the Association of Invoice Factors (AIF) fared slightly better. The nine members of the AIF reported a 12 per cent increase in business volume to \$251m last year but this had little impact on the overall level of activity.

The slow down in the UK, the world's third largest factoring market, was mirrored elsewhere. Worldwide, factoring companies did \$360bn worth of business in 1991, a 9 per cent increase compared with a 29 per cent rise the year before, according to Factors Chain International, a network of

companies in 34 countries. Business volumes stagnated in some of the larger markets but strong growth was recorded in Mexico, Spain, South Korea and Denmark.

The UK industry's hopes of an upturn when the recession lifts are based on the flexibility which factoring and invoice discounting offer businesses. Unlike a bank loan or even an overdraft a factoring facility grows in line with turnover.

Once a bank manager has lent up to what he considers is a prudent level, taking into account the assets which a

business can provide as security, he can usually go no further. In the present economic climate few bank managers will lend more than 40 to 50 per cent of the value of invoices and this figure may go as low as 25-30 per cent for less than first class debtors.

A factor, in contrast, will normally pay up to 80 per cent of the value of invoices immediately, with the remainder, minus his fee and interest charges, following when his client's customer pays up. Unlike a bank loan or overdraft, which will have to be renegotiated as the business grows, a factoring facility increases with sales.

In addition to handling his client's sales ledger and advancing cash against invoices, a factor will, if required, arrange for credit insurance.

There are, however, a number of potential pitfalls. The bank may want to reduce its lending if a business assigns security over its debtors to a factor, businesses on fine margins may find the fees too high; and some customers may react badly if they have a negative view of factoring.

For larger, more well established companies, invoice discounting is more appropriate. The client retains control of his sales ledger and only makes use of the cash-in-advance service.

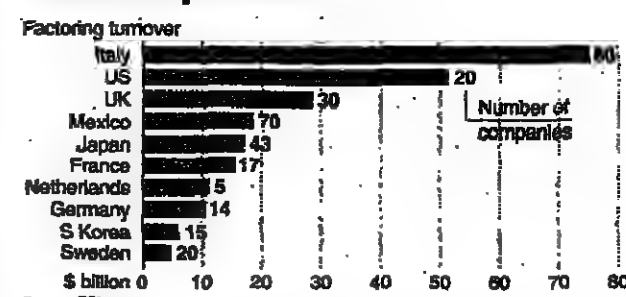
Invoice discounting is a riskier business for the factor/invoice discounter because he is not so closely involved in his client's affairs.

Clients may be tempted to send in invoices before the goods are shipped, create completely bogus "fresh air" invoices or hang on to customer payments which should have been passed on to the invoice discounter.

"The invoice discounters have been badly hit by frauds and losses," commented Mr Nick Sanders, business development director of County Factors. One result of this has been for the invoice discounters to reassess their client lists and move some invoice discounting clients over to a factoring service.

Union Discount Commercial Finance, formerly known as

### World's top 10: 1991



Union Discount Commercial Finance, staged a relaunch last October after running into problems with some of its clients. "We had companies we should have been factoring, not invoice discounting," said Mr David Pretlove, who was brought in as managing director to resolve the difficulties. "We have tidied up our book and carried out a major reorganisation," he said.

Union Discount will continue to concentrate on invoice discounting but is being more selective in its choice of clients. It is targeting companies in the £1m-£15m range and plans to raise invoice discounted turnover to £750m over two years from £200m at the time of the relaunch.

Even when companies have avoided frauds, their margins have come under pressure from the tougher business climate. Existing clients have expanded their sales more slowly while new clients have often been outnumbered by clients going out of business. As only 2 per cent of companies polled had used a factor, the factors and invoice discounters currently serve about 12,000 UK companies. Alex Lawrie's Mr Davies estimates that the number of businesses with cash flow problems which would meet the factors criteria at 150,000 while the ABFD's Mr Hughes puts the figure as high as 250,000.

There seems little doubt, however, that there will be a continuing demand for the factoring industry's services since the problem of the late payment of debts appears to be worsening rather than easing. Despite exhortation from the government and the promise, in last month's budget, of a reform of court procedures for collecting debts, demand for the debt collection services of factors seems set to grow.

Even the prospect, however remote, of a government introducing legislation to give

suppliers an automatic right to claim interest on overdue payments does not appear to worry the industry. "I don't think legislation would help," said Mr John Davies, marketing director of Alex Lawrie, a Lloyds Bank subsidiary. "There has to be a change in the business culture and in the credit control systems companies use."

If legislation were brought in, this would be to the long-term benefit of the factoring industry, according to Mr Hughes of the ABFD. "In some industries there will always be a delay between a company paying its suppliers and getting paid itself. If legislation reduces the vulnerability of companies to late payments then we are in favour. It is short-sighted to say that legislation would reduce the need for factoring."

There is certainly scope for the factoring industry to increase its market share. A recent survey by the Confederation of British Industry found only 2 per cent of companies polled had used a factor. The factors and invoice discounters currently serve about 12,000 UK companies. Alex Lawrie's Mr Davies estimates that the number of businesses with cash flow problems which would meet the factors criteria at 150,000 while the ABFD's Mr Hughes puts the figure as high as 250,000.

If the banks maintain their cautious policies on lending to small firms the potential for factoring is enormous. But realising that potential will require a huge effort on the part of the industry to "sell" its advantages to a still sceptical market place.



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## FACTORING 2

UK cash-only business loses its shine

### Beginners' bad luck

FACTORING has lost much of its shine over the past 12 months for some of the more recent arrivals. As the established firms were forecasting two or three years ago, it has been the invoice discounting end of the market where most of the problems have arisen.

Invoice discounting is attractive to the newcomer because it is a cash-only service and start-up costs are low. It does not require banks of computers and armies of clerks to administer clients' sales ledgers. But precisely because the invoice discounter lacks the same close

day-to-day contact with his client as the full-service factor he is more vulnerable. This has led to Schroders, the merchant banking group, shutting down its two-year old subsidiary, Schroder Discount, while Westpac Banking Corp. has closed its invoice discounting operation.

But it has not only been the new arrivals which have had to contend with a hostile environment. GT Invoice Factors, a smaller company and a member of the Association of Invoice Factors, had to close when Union Discount Commer-

cial Finance (UDCF), which was undergoing a reorganisation of its own, withdrew its financial backing. GT had what is known as a "back to back" arrangement with UDCF for it to finance its activities. "It was not a risk I wanted to take," said Mr David Pretlove, managing director of UDCF. "It puts you at one remove from the customer. If anything went wrong it would have been difficult to take action."

The funding arrangement with GT was ended as part of a general overhaul of UDCF's invoice discounting "book". UDCF had signed up clients for its invoice discounting service which should have really been taken on a factoring basis where the controls are tighter, said Mr Pretlove.

Some of GT's clients transferred their business to Century, a subsidiary of the Close Brothers banking group, said Mr Leslie Bland, Century's managing director. This formed part of Century's policy of expanding by acquiring portfolios from other factors.

Century had earlier acquired Security Pacific Business Finance (Europe) when Security Pacific, the US banking group, decided to concentrate on its core domestic business. Century paid £662,000 for Sec-Pac Business Finance in July 1991. With expected profits from the company, now renamed S.P. Business Finance (Europe), of £400,000 in the first year of ownership, Century expects to recoup its investment in 18 months.

Although it has been the invoice discounting which have been particularly exposed to the problems caused by the recession, invoice discounting has remained the most buoyant part of the market. Invoice discounting overtook domestic factoring as the largest area of activity in 1989 and has remained the largest sector



ever since. In 1991 it accounted for 59 per cent of the UK factoring market, according to the Association of British Factors and Discounters (ABFD).

For companies which manage their exposure carefully, invoice discounting is expected to be the major growth market. Some invoice discounters believe that the invoice discount market will become more distinct from factoring.

This is prompted in part by a desire on the part of the invoice discounters to distance themselves from the stigma which still attaches to factoring and in part by the problems some discounters have had with clients they now realise were more suitable for a full factoring service.

"The two markets will become more clearly defined," said Mr Alan McLaren, managing director of UCB Invoice Discounting, part of the French-owned UCB banking group. The result of this may be that the two markets will become more distinct from factoring.

But in the meantime the large bank-owned factoring organisations continue to provide both full-service factoring and invoice discounting side by side. For the bank-owned factors, which make up the bulk of the industry, the most

intriguing question remains: how will their parent banks respond to the ending of the recession?

The bank-owned factors have something of a love-hate relationship with their parents. The factors are aware that the banks' financial standing is an important asset to them yet they are conscious that bank managers will retain the best lending propositions for themselves and only refer their less than grade-A clients to their factoring arm.

Some of the factors believe the balance of power may be shifting. The large provisions which the banks have had to make on their small business lending may be a sign that advances to the small end of the corporate market are better made through the factor, who has far tighter controls.

"We are seeing much better propositions come to us than we would have done a few years ago," commented Mr Malcolm Smith, managing director of Alex Lawrie, part of the Lloyd's Bank group. In competing with each other, the factors can never forget that their main rival for business is often the bank which owns them. "I am happy having the bank behind me but I don't want it in front of me as well," commented one.

Charles Batchelor

Export credit role is on the increase

### Handy lubricant for foreign traders

FACTORING has increased in popularity around the world as a means of financing and managing export business in recent years.

Worldwide export factoring business rose by 14 per cent in 1991 compared with an increase of just 9 per cent in domestic factoring, according to Factors Chain International, a network of factoring companies. This was the fifth year running that export factoring growth had exceeded that of domestic factoring.

And there are hopes in the industry that 1992 and the formation of a single European market will increase demand for export factoring which allows open account trading with foreign customers.

In spite of this trend export factoring remains only a small part of the world total of factoring business. It amounted to only six per cent of total factoring volume of \$266bn in 1991.

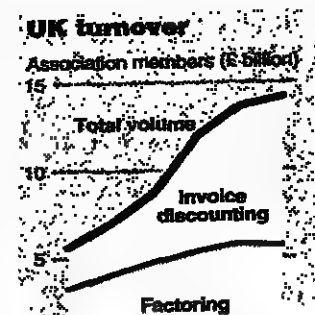
Factoring has not made great headway against more established methods of arranging export finance such as the use of letters of credit and forfaiting, which provides for the discounting of trade bills.

It plays an important role in financing exports in Germany, Belgium and the Netherlands, three of the leading export factoring countries, where it amounts to about 30 per cent of total factoring volume.

But its role in other countries such as Italy and Japan, where domestic factoring is relatively strong, is minimal.

In the UK, export factoring declined by 2.5 per cent to \$60m in 1991, in line with the decline in domestic factoring, and now accounts for just 4 per cent of total factoring volume.

The UK factors attribute their relative lack of success in developing export business to



Alan Hughes, managing director of Griffin Factors. Export factoring has also been held back by gaps in the international networks of factoring companies.

Export factors require links with partners in export destinations to be able to guarantee local coverage. It is the import factor who has the local knowledge to carry out credit checks and chase invoices.

These networks have been expanding in recent years and gaps in eastern Europe and the Far East have been plugged. South America and Africa, areas with serious payments problems, are still a large extent blank on the factoring map, however.

In spite of these limitations the failure of export factoring to make faster progress remains something of a puzzle to the factoring industry.

All the benefits of domestic factoring apply even more strongly to export business, where companies are even less likely to know their foreign customers and where currency exchange rates, language and cultural differences combine to complicate trade.

Charles Batchelor

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Late payers become a political issue

### Knocked about by Norman Lamont

THE late payments issue has been transformed in recent months from a concern of the small business lobby to a mainstream political issue in Britain.

Mr Norman Lamont, the

Chancellor, announced measures aimed at speeding up the settlement of invoices in his budget last month while the two main opposition parties have unveiled strategies for dealing with the problem.

The factoring industry stands on the sidelines convinced, in the main, that even if the payments performance of British business improves it will still have a significant role to play.

Despite its refusal to change the law to improve payments behaviour, the government acknowledges that the problem is a major one for business. British companies wait on average 72 days for payment, 42 days longer than the terms they normally write into contracts. The cost of financing these delays eats up half of the average businesses pre-tax profit, which itself is only 4 per cent of sales, the government maintains.

The government believes that payments performance will not be improved by the introduction of an automatic right to charge interest on overdue business debts - a scepticism shared by many factors - though its policy of exhortation appears to have failed dismally.

It has therefore opted for a series of less far-reaching measures. In his March budget the chancellor said he would:

- Require large companies to state in their annual report and accounts how quickly they pay their bills. Up to 9,000 companies could be affected according to the Companies Act definition of "large": sales of more than £2m; a balance sheet of more than £3.9m and 250 employees.

- Simplify procedures for dealing with small claims and debt recovery cases in the courts. This will include dispensing with preliminary hearings in small claims cases; allowing judges to help litigants who do not have legal representation; and allowing claimants to be represented in court by someone who is not a lawyer.

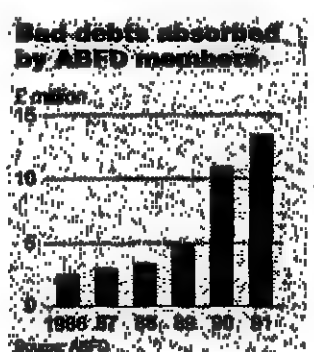
- Make prime contractors to government departments include a clause in their agreements with sub-contractors to pay them promptly; usually within 30 days of receiving a valid invoice.

These measures were welcomed by business groups though they did not go as far as some had hoped. The Federation for Small Businesses had been pressing for the courts to take automatic responsibility for enforcing debt payment judgments. At present plaintiffs must return to the court for a payment order if the defendant does not pay up.

There is also some doubt about the ability of government to insist on prime contractors paying sub-contractors within 30 days when, according to some small business lobbyists, the payments record of government has worsened.

But discussion of these issues will be academic if the Conservatives are not returned to power. Both Labour and the Liberal Democrats have promised legislation to give businesses the automatic right to interest on overdue debts.

The Liberal Democrats want companies to be required to make a provision in their accounts for any interest liability.



ity. This is intended to shame larger companies into adopting better payment practices.

But even if these measures were brought in and businesses began paying more promptly there is likely to remain plenty of work for the factors to do. If a statutory right to interest were to be introduced the factors could play a role in collecting that interest.

Charles Batchelor

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## FACTURING 3

## Big US store chains hold key to recovery

## Factors enter where banks fear to tread

AFTER three years of watching one highly-leveraged retailer after another file for bankruptcy protection, US factors are cautiously optimistic that 1992 may herald a return to stability.

The year started on an encouraging note, with Federated and Allied department stores emerging from Chapter 11 bankruptcy protection from creditors — the first big US retailers to do so successfully. And spirits were only somewhat dampened by a bankruptcy filing by R. H. Macy after the Christmas selling season. The big New York-based department store chain, which was taken private in a management-led \$3.6bn leveraged buy-out in 1985, had been on a shaky financial footing for several years and the filing did not take anyone by surprise.

The fate of retailers is crucial to US factors, since factoring in the US remains the domain of the clothing, textile and home furnishings industries. About 80 per cent of yearly turnover comes from apparel-related businesses.

Among the services provided by factors in the US are credit-checking, guaranteeing that credit and providing advances against accounts receivable. Clients can choose to use any or all of these services.

The reliance on retail-related business left US factors particularly vulnerable to a string of big department store bankruptcies, which started with Camper's Federated and Allied Department Stores in 1989 and may have ended this year with R.H. Macy's chapter 11 filing.

But for the factors who weathered the US retail

shake-up, there have been some unexpected benefits to the upheaval which may stand them in good stead as the economy starts to revive.

Mr Sidney Rubberg, an editor at *Daily News Record* and an expert on factoring, believes that publicity over the big department store bankruptcies actually helped some factors. Since factors provide a credit protection service, some manufacturers started to turn to factors to protect themselves while continuing to supply large but unstable customers.

"All the publicity about big credit losses has helped factors increase their client-base," says Mr Rubberg.

The recession's impact on US banking has also had a positive impact on factors. As banks have become more wary about lending, a growing number of mid-size businesses have turned to factoring for funds.

Indeed, 1991 was an improvement on 1990 in terms of factoring volume. Overall industry volume rose 4.5 per cent to \$51.2bn, compared with growth of just 2.1 per cent a year earlier to \$49.01bn.

During the year, Fuji Bank's Chicago-based Heller Financial overtook CIT Group/Factoring to become the biggest US factor in terms of volume. Heller's factoring volume climbed 8.3



per cent to \$7.04bn from \$6.5bn, while CIT's improved 3.6 per cent to \$6.93bn from \$6.75bn. Of the other big factors, BNY Financial, which acquired BT factors in 1990, had static volume of \$8.2bn in 1991, while Citizens & Southern Commercial, which acquired Security Pacific Factors in 1989, saw volume grow 2.8 per cent to \$5.96bn. Citizens & Southern has changed its name to NationsBank Commercial.

Increased exposure to bad debt has been one of the most worrying aspects of the recession for factors. However,

while the increase in 1991 volume was somewhat offset by credit losses, Mr Rubberg says that these losses were not disastrous and all the big US factors made money last year. Even Republic Factors, which saw a 9.5 per cent decline in 1991 volume to \$3.8bn, is believed to have been profitable in the year. Indeed, there have been no major factoring failures in spite of the high number of retailing bankruptcies.

Factors started to take steps to protect themselves after the Federated and Allied bank-

ruptcy set off alarms about the outlook for other highly-leveraged retailers, for whom the combination of a soft retail environment and high interest payments might prove lethal.

Factors and retailers started to work much more closely together in the following years. In the case of Macy, for example, a special credit committee was set up to work with factors and review the company's financial position.

Close relations with retailers are important, since factors cannot survive if they refuse entirely to ship to big retailers. "Most of the big retail bankruptcies have been telegraphed so factors were able to ease their way down although they were not able to get out altogether," said Mr Rubberg. "Factors protected themselves by charging premiums of about 1 to 2 per cent on top of normal factoring commissions for shipments to highly leveraged retailers such as Macy's and they also shared the risk."

The trend of consolidation in the industry seems to have started to slow. The number of big factors held steady at about 17 in the last year after dropping from 30 a few years ago.

The coming year may see some more consolidation, though at a slower pace. There are rumours that BankBoston's factoring business is for sale, for example. BancBoston Financial had turnover of \$3.3bn last year.

Meanwhile, every small sign of economic recovery and returning consumer confidence in the US is encouraging news for factors.

Karen Zagor

## Italy has had a lively year, writes David Lane

## Fall-out from a scandal

THE word factoring has entered the Italian vocabulary during the past year as a result of the collapse of the state Fedconsorzi agricultural organisation last May, and the subsequent failure of Banca Nazionale del Lavoro's (BNL) Agrifactoring subsidiary.

After the scandal involving unauthorised lending to Iraq through its Atlanta branch, Agrifactoring's failure was the last kind of news that BNL needed. Shown in the bank's books as being its third largest factoring subsidiary, with turnover of L2,602bn in 1990, Agrifactoring recorded factoring assets totalling L1,448bn in its balance sheet at year-end 1990 and had liabilities of L1,224bn towards banks and L233bn towards medium term institutions.

Through Agrifactoring and more than 20 other companies in the factoring sector, BNL Group enjoyed clear market leadership in 1990, winning a share of more than 43 per cent of total Italian turnover. (The Group continues to maintain this lead position.) Its Italia subsidiary, Italy's biggest single factoring company, with turnover of L9,478bn in 1990's total market of L71,774bn, was the first in the business in Italy when it started operations in 1983.

But the prestige of being biggest and first has been tarnished by the Agrifactoring affair. BNL's treatment of the liabilities of the company, shown in its accounts as 50 per cent owned, and generally considered as being under the Italian bank's operational control, has led to ostracism by international banks.

Agrifactoring's assets were suddenly eroded when Fedconsorzi collapsed, and its creditors, which include big foreign banks, have been left facing significant losses. BNL's refusal to assume the liabilities of its Agrifactoring subsidiary has caused bad feeling and distrust, and has led to credit lines being cut, particularly to the Italian bank's parbanking subsidiaries.

However, while BNL's wriggling and foot-shuffling over Agrifactoring has cut a poor figure, causing a German banker to comment that "Africa starts south of the Alps", it has had no real effect on factoring business. Alessandro Carretta, general secretary of Italy's Assifactor association, says, "Agrifactoring's problems had nothing to do with factoring. It was a matter of incorrect management."

Indeed Italy's factoring sector continued on its upward trend in 1991, albeit more modestly than in previous years. Depending on measurement criteria, factoring grew last year by between 9 and 15 per cent. "Though this is much lower than in the 1980s when annual growth of over 30 per cent was recorded, last year's figures show that factoring is

still a growing business," says Mr Carretta.

The slowdown is due partly to general economic conditions in Italy, business having been feeling the effects of recession since the end of 1990. But Mr Carretta points to another factor that has been influencing factoring business: legislation introduced at the beginning of last year.

"This offers advantages and disadvantages. On the plus side, there are now safeguards

the slowdown in factoring growth may partly be due to companies' reluctance to expand before knowing what ratios they will have to satisfy.

Mr Carretta wonders if the introduction of asset ratios will change the character of factoring in Italy. Captive factors, serving large industrial groups, have been a feature of a market in which they hold a share of about 35 per cent. Will this now decline?

"Captive factors have tended to expand away from servicing group subsidiaries to seek business among suppliers and elsewhere in the market, but generally their asset ratios are more fragile than banks' factoring companies," says Mr Carretta.

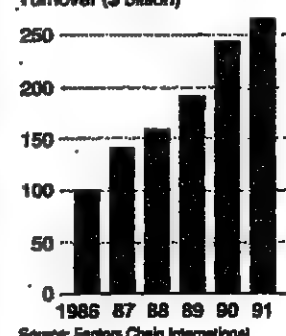
Mr Vismara describes captive factors as nothing more than administrative departments, providing just a financial service. But this basic service lies at the origins of factoring in Italy, when credit ceilings limited lending by banks and forced business, and the banks themselves, to other sources of finance.

Notwithstanding the end of credit ceilings, Italian factoring has continued to concentrate predominantly on financial aspects rather than high added value services. "This means that factoring customers are often now high risk borrowers," comments a northern banker.

But the situation may be changing. Encouraged by crowding, high risk and low profitability in Italy's domestic market, the Italian factoring subsidiary of Barclays Bank has chosen to emphasise its capability of providing full sales ledger management service, particularly for foreign operations. Its global network and expertise has allowed it to take leadership in international factoring in Italy. Others seem likely to emulate Barclays. Both Mr Vismara and Mr Carretta predict increasing emphasis on higher service content in factoring.

## Worldwide factoring

Turnover (\$ billion)



Source: Factors Chain International

and a juridical certainty to factoring that were formerly lacking, and the possibility of offering new types of operation and products. But, on the other hand, the establishment of a roll of authorised factoring firms at the Bank of Italy and the designation of the central bank as the supervisory body may represent a brake on development," explains Mr Carretta.

Biagio Vismara, the executive responsible for parbanking at the Italian banking association ABI, considers that the Bank of Italy's role as supervisor is appropriate. The move will bring uniform treatment to factoring companies of banking and non-bank parentage.

"The sector is now waiting for the Bank of Italy to publish its regulatory framework," notes Mr Vismara. One of the matters on which interest focuses is asset ratios. Indeed,

## Japan catches on fast, writes Neil Weinberg

## Potential for growth

FACTURING is a relatively undeveloped business in Japan, although turnover more than tripled in the five years through 1991 to \$17,200bn.

That was enough to make Japan the world's fifth largest factoring market. At the same time, the economic superpower's share of global factoring activity was a mere 6.5 per cent, suggesting there is plenty of potential for further rapid expansion.

The relatively low turnover is partly due to the late advent of factoring in Japan. The first specialised factoring company was established by a financial institution in 1972 when Sanwa Bank set up the firm now known as Sanwa Business Credit Co.

Not until 1975 did the Ministry of Finance clarify the range of activities such bank affiliates can undertake and officially approve creation of subsidiaries to carry out factoring as a near-banking activity.

That same year, Mitsu Bank and Mitsu & Co. jointly established Japan's second factoring firm, Mitsu Finance. Today 43 bank-affiliated factoring companies are active, including those associated with each of the nation's 11 city, or large commercial, banks. In addition, scores of independent non-bank financing firms offer factoring services to retailers, manufacturers and other clients.

The difficulties faced by small and mid-sized firms in developing modern account supervision and credit collec-

tion systems have helped foster the industry, as have the Banking Law's limits on bank financing and credit guarantee activities.

A distinguishing feature of Japan's factoring market is the focus on discounting of promissory notes. Under the system, factors accept notes at a discount from sellers of merchandise, specifying amounts, dates and financial institutions designated to receive funds. The notes can be purchased with or without recourse.

The transactions are appealing because of the ease of transfer and the note holder's clear, binding rights to collect specified amounts from issuers at maturity. The widespread use of promissory notes has fostered this type of factoring activity, and it often takes the place of accounts receivable financing.

Such financing is in high demand among small and mid-sized businesses and at Shokoh Fund & Co. has expanded 40-50 per cent annually in recent years, says company president and founder Mr Ken-ichi Oshima. The fast-growing non-bank financing firm derives about one-fifth of its revenues from promissory note discounting and another 4.5 per cent from trade accounts

factoring. It expects turnover to increase at least 30 per cent annually for some years, Mr Oshima says.

At the same time, differences in business practices, particularly the widespread use of promissory notes, will keep Japan's factoring market small relative to its economy, argues Mr Takeshi Fukuda, who heads factoring operations at Nichiboshi, a large non-banking finance company.

Promissory note discounting with recourse, in which factors handle collection for department stores, wholesalers, retailers, car dealers and other clients and receive payment from them, involves no direct risk from debtor bankruptcies but yields only razor-thin margins of around 0.15 per cent, Mr Fukuda adds.

In contrast to many other countries, cash financing of accounts receivable is not common in Japan because of legal requirements that sellers gain written consent from each customer before transferring collection rights to a financing company. This is typically opposed by debtors as a sign of distrust among sellers.

The practice frequent among trading companies of providing materials with credit of 90 days or more also often serves a

trade financing function, while non-bank financing firms offer additional credit alternatives.

Other services provided by leading factoring firms include direct debit collection, financing with securities and real estate collateral which banks are often proscribed from providing, collection services and international import-export factoring.

Over the past few years, deflation of Japan's speculative real estate and stock market bubbles and a dramatic rise in personal and corporate bankruptcies have vastly complicated credit assessment for all types of factoring, says Mr Mitsuo Higashi, general manager of the international factoring department at Diamond Factors, a member of the Mitsubishi Bank group.

Previously, domestic bad debt rates hovered around 1 per cent. Recently they have roughly doubled and could easily hit 3-4 per cent in the near future, he adds.

Although starting from a small base, Japan-related international factoring grew to \$513m in 1991 from \$63m five years earlier, according to Factors Chain International. This

still pushed Japan's total last year to just 3.3 per cent of factoring worldwide.

Currently, only seven firms offer such services in Japan, including six city bank affiliates and Hyogin Factors, a leading domestic factor set up by Hyogo Bank of Kobe.

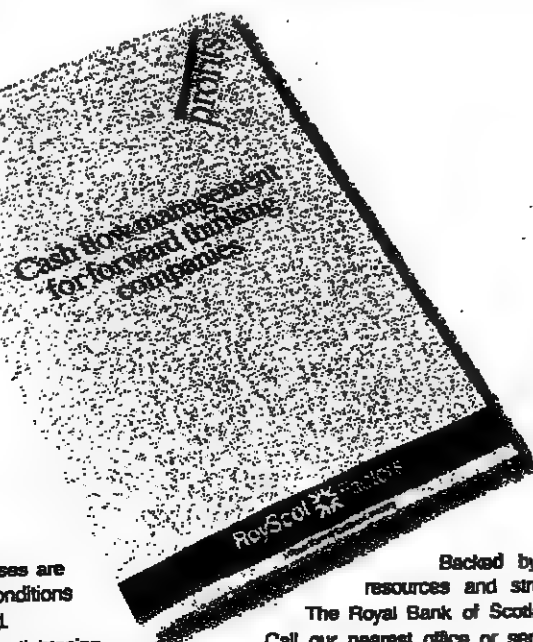
Prospects are bright for continued rapid expansion of the international factoring market as trade expands and exporters move away from transacting business via letters of credit or using export insurance. Instead, open account sales are rapidly gaining popularity, particularly for intra-Asian trade.

Exporters are also attracted by the ability to present copies of shipping documents and instantly obtain 100 per cent of invoice value from banks. In addition, large trading houses are looking to international factoring to cover insolvency risks and as a simple means of credit protection, says Mr Higashi.

A nine-year veteran of international factoring, Mr Higashi has responded recently to inquiries from several affiliates of large financial institutions keen to enter the market, where he says there is plenty of room for everyone to expand. "Every month we have new clients since we're fulfilling a useful social function," he says. "The market is growing quickly enough that we don't have to worry about competition."

Karen Zagor

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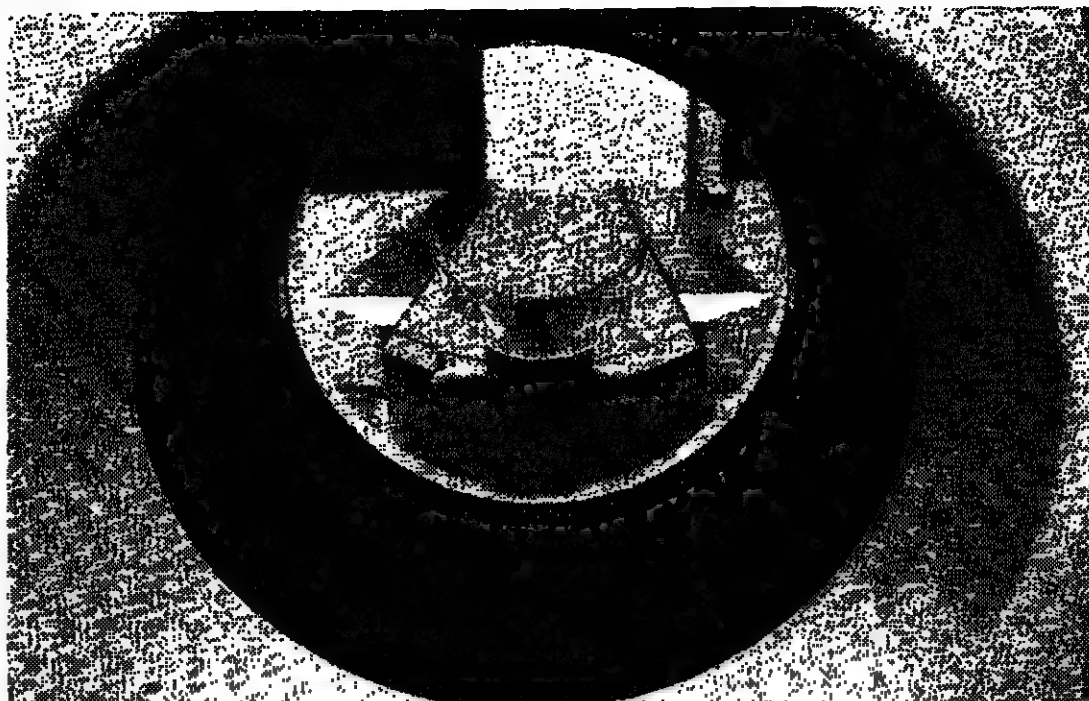
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## MANAGEMENT

Britain's hospitals have been undergoing radical reform.  
Alan Pike assesses whether the medicine is working

## In sickness and in health



Scanning the horizon: the NHS reforms have rapidly achieved a high degree of backing from within the service

The National Health Service reforms are one year old today: a decision on whether to blow out the birthday cake will be taken by the electorate on April 9.

Next week's election will determine whether the changes introduced by the government last year are to become the pattern of NHS management for the rest of the century, or whether the service faces further restructuring.

NHS managers have spent 12 painful and exhausting months introducing changes which many believe should have been better planned and tested before implementation. But an incoming government committed to unpicking the reforms - as both Labour and the Liberal Democrats are - would find those same managers opposed to a return to the NHS structure in which they worked only a year ago.

Separating managerial judgments from political ones is near impossible in the NHS, where managers are walled-in between Whitehall guidance notes and questions in Parliament. The judgment on whether the reforms are good or bad for health care in Britain is ultimately political. But to the extent that the reforms can be assessed on their managerial merits, they have rapidly achieved a high degree of backing from within the service.

There is one particular reason for this - a separation of management functions which has become known as the purchaser-provider split. Since last April, individual managers have been responsible for either providing services - running hospitals, community or ambulance services - or buying them.

Purchasers, with finite budgets, must not only seek value-for-money from providers but plan spending priorities. They must decide whether, for example, more resources should be devoted to reducing a district's relatively high death rate from heart disease. And if so, what services will go down the list of priorities as a result?

There is a widely-held view among managers that the purchaser-provider split is helping to reshape the NHS into natural component parts, focusing individual managers' attention on distinct functions rather than a canvas so vast that the picture must inevitably be obscure.

"I cannot now find a manager who says that the purchaser-provider split is not the way to achieve change and improve efficiency," says Pamela Charwood, director of the Institute of Health Services Management.

The existing contracts between purchasers and providers are not likely to survive a Conservative defeat. Labour would retain the separation of managerial functions but

scrap the symbol of the provider's independence, the self-governing trust hospital.

A case can be made for this - the split already operates in management terms in districts which do not have trust hospitals. Many managers would not complain if trusts lost some powers, like the ability to sell assets. But the IHSM believes the relatively independent status of trusts is necessary to run the purchaser-provider split effectively.

"The umbilical cord between the purchasing and providing functions is still in place in those districts where health authorities manage hospitals directly," says Charwood. "Managers are drawn too much into day-to-day operational rather than strategic decision-making, and I think there is a risk of their carrying on with existing patterns of service provision rather than examining alternatives."

Although managers of the first

self-governing trusts have spent much of the past year struggling to break-even under a still highly-confined financial regime, there has been room for innovation as well.

When Central Middlesex hospital in west London became a trust last April, it announced plans to restructure its services according to what the patient wants. This approach, being pioneered in a few US hospitals, involves replacing the old institutional structure of a hospital with multi-disciplinary teams working in a series of medical, surgical and other specialist centres. The aim is to transform the hospital from a centralised institution into a delivery system for a range of services which are closer to patients' actual needs.

One year on, Central Middlesex has set up its own in-house team to train staff and will start introducing patient-focused techniques in two departments in August.

The changes will transform working practices. Andy Black, the Central Middlesex's chief executive, is convinced they are happening only because trust status has enabled all planning to take place locally between managers, doctors and nurses who have an equal stake in the scheme's success.

Central Middlesex is a typical London local hospital, little known outside the area it serves. St Thomas', in central London, is world-famous for its clinical services but until recently also enjoyed a reputation within the NHS for financial problems and the highly-political nature of its health authority meetings. A new management team has brought St Thomas' into financial surplus and just published its first corporate business plan.

This sets a series of central objectives for 1992-93 - to secure contracts which at least maintain pre-

ent treatment numbers; reduce costs by 5 per cent; meet new quality standards; shift the provision of care towards more cost-effective day and out-patient work with local general practitioners and offer an improved range of services.

"In the past, managers had to say to doctors that we didn't want them to work more efficiently - we wanted them to save money, and this usually involved reducing the amount of work they could do," says Tim Matthews, St Thomas' chief executive.

"Now we have a management structure which involves medical staff in budgeting and decision-making, and this is producing ideas for reducing unit costs and generating income rather than just squeezing cash out of the system."

Matthews and John Pelly, his finance director, hope that rather than resorting to the NHS's usual recipe for achieving 5 per cent savings - ward closures - they will be able to raise a good deal from income generation instead.

They plan to market occupational health services, an area of activity which the NHS has largely left to the private sector.

St Thomas' currently has contracts with the Foreign Office and the London Fire Brigade and will seek more.

Consultants will be encouraged to treat private patients at St Thomas' rather than in surrounding independent hospitals. The hospital's central London car park has been identified as a significant source of income.

The notion of hospitals having to sell services to outside customers may be too commercial for purist tastes but, say managers, it is being done to help maintain services which in the old bureaucratic days would simply have been closed down.

A change of government would see an end to the commercial language which has entered the NHS vocabulary in the past three years, and probably to some of the fringe commercial activity.

But the challenges for a new government would be to ensure that the sharper managerial thinking which has begun growing in the service did not disappear as well.

Andy Black, reflecting on the changes which have taken place at Central Middlesex since the hospital became a trust last year, remarks that he has bought a bigger waste paper basket.

"If I didn't ignore vast amounts of central guidance, I wouldn't get the job of running the hospital done."

Whatever the fate of the health reforms after April 9, NHS managers hope that the small flames of independence and accountability evidenced in that brave remark will not be extinguished.

## Revving up for an east German drive

Andrew Fisher reports on ambitious plans by Volkswagen and Opel

Volkswagen and Opel have a clear aim in building their new car assembly plants in east Germany - they are trying to beat the Japanese at their own game.

Japanese methods of lean production, cutting out wasted time and materials and trying to keep costs as low as possible, have swept the motor world.

Other car companies have been forced to adopt the Japanese practices as best they can or risk being pushed aside by the competition.

Germany's unification has provided what VW and Opel - owned by General Motors of the US - both see as a golden opportunity.

VW is spending nearly DM5bn (£1.7bn) on its new plant and Opel DM1bn, with around a third of the money coming from investment grants and subsidies. When finished, the plants will be among the world's most modern. Both are being erected near former east German car production sites.

But while the old Wartburg plant in Eisenach turned out 70,000 cars a year with 9,000 workers, Opel will produce around 150,000 of its new Astra family cars with just over 2,000 people at its new site on the edge of the historic town.

The approach will be new for east Germany, where the old state-owned companies made most of their own components and equipment. In modern car plants, the aim is to keep the level of vertical integration - the work actually done in the plant - as low as possible, with most components being provided by suppliers.

At the VW plant at Mossel in Saxony, which will turn out 250,000 Golf family cars a year, only 25 per cent of the components will be made in house.

The plant, employing 6,000 people, will comprise mainly a press shop (which Opel Eisenach will not have initially), body shop, paint shop, and assembly of components made elsewhere (including other parts of the VW group) like engines, axles, and gearboxes.

In west Germany, VW's level of vertical integration is 40 per cent. Just-in-time delivery is vital to the process.

Both the VW and Opel plants will have a minimum of storage space. Opel plans to have enough parts next to the Eisenach assembly line for two hours of operation, with components for several more hours stored elsewhere on site.

Because suppliers of seats and bumpers will be nearby, these will not have to be stored at all.

Opel has learned much from GM's experience in its joint ventures with Japanese motor companies in the US and Canada. Tom LaSorda, the confident young Canadian who heads Opel Eisenach, says it takes most European car plants nearly 36 hours to turn out a new car. US companies need around 25 hours.

He wants to reduce this to 20 hours or less in Eisenach. "There's a plant in Japan that's at 18 hours, while Japanese plants in North America are at 18 or 19 hours or even lower, as are some in Europe," says LaSorda.

Opel and VW aim to be flexible enough to respond to changes in customer demands, by producing a wide variety of specifications and options, while lessening vulnerability to falling sales by employing as few people as possible.

This, of course, increases the strain on suppliers to produce parts cheaply and deliver quickly. In times of industrial strife, it also makes plants vulnerable since they have minimal reserves of components. Eventually, Opel Eisenach hopes to reduce the time needed to complete an order from the parent company to around two weeks. These days, up to 10 weeks is common in Europe, but the pressure for change is increasing.

LaSorda foresees more competition from the Japanese in Europe, where they are increasing their UK manufacturing presence. "We have to conclude that they will be successful in Europe. If they are, we've got to be better than they are."

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BY THE REGISTRAR OF COMPANIES  
17 MARCH 1992

**BYAR INSTALLATIONS (INDUSTRIAL LININGS) LIMITED**  
PAID UP 17 March 1992

At an extraordinary general meeting of the above named company convened and held at The Travel Inn, Longford House, Westing Street, Coventry on 17 March 1992, the following resolutions were passed: No 1. That the company be wound up voluntarily.

At a meeting of creditors held on 17 March 1992, the creditors appointed John Frederick Powell of Cork Gully, 43 Temple Row, Birmingham B2 5JT in Mr Brown's place.

Dated 17 March 1992  
Signed W.E. Lloyd - Chairman

Notice to Creditors to Submit Claims in the Matter of **WINDOL LIMITED (in Liquidation)** and in the matter of the Insolvency Act 1986

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company, which is being voluntarily wound up, are required, on or before the 30th day of April 1992, to send in their claims and particulars of their debts or claims, and to submit them to the Liquidator, for his consideration, and to the undersigned, for his consideration, at the address specified below.

A list of the names and addresses of the company's creditors may be inspected free of charge at 43 Temple Row, Birmingham B2 5JT between 10.00 am and 5.00 pm on 2 April 1992 and 3 April 1992.

DATED: 23 March 1992  
By order of the Board  
S.P. Green, Director

**PARKBERRY LIMITED**  
Registered No: 2229299

NOTICE IS HEREBY GIVEN, pursuant to section 88 of the Insolvency Act 1986, that a MEETING of the CREDITORS of the above-named company will be held at: Haydock Park Racecourse Conference Centre, Newton-Le-Willows, Merseyside WA12 0HD on 6 April 1992 at 1.30 pm for the purposes mentioned in sections 99 to 101 of the said Act.

A list of the names and addresses of the company's creditors may be inspected free of charge at 43 Temple Row, Birmingham B2 5JT between 10.00 am and 5.00 pm on 2 April 1992 and 3 April 1992.

DATED: 23 March 1992  
By order of the Board  
S.P. Green, Director

**Notice of Appointment of Liquidator**  
Voluntary Winding Up (Members or Creditors) Pursuant to Section 100 of the Insolvency Act 1986.

Company Number: 1548037. Nature of Business: Builders Merchants. Type of Liquidation: Creditors' Liquidation. Liquidator: Mr. S. P. Green, 43 Temple Row, Birmingham B2 5JT. (Liquidator's) Name and Address: Mr. S. P. Green, 43 Temple Row, Birmingham B2 5JT. Office Holder Number: 1552. Date of Appointment: 24 March 1992. By Whom Appointed: Creditors. Signed: R.V. Cook (Liquidator). Dated: 20 March 1992.

**THE INSOLVENCY ACT 1986**  
**HOLDEN & PAX TRAVEL LIMITED**  
Company Number: 1785697  
Nature of Business: Travel Agents and Tour Operators. Trade Classification: 51.

NOTICE IS HEREBY GIVEN, pursuant to section 88 of the said Act, that on 24 March 1992, Peter S. Green and Peter M. Green of 43 Temple Row, London W13 9TS were appointed Joint Administrators of the above company by the Registrar of Companies. Peter S. Green is the Joint Administrative Receiver. Dated this 24th day of March 1992.

**Notice of appointment of Joint Administrative Receiver**  
**J.O. CLOVE (PTVS) LIMITED**  
Registered number: 1276087. Nature of Business: Food Processor and Grain Handling and Storage. Trade Classification: 13. Date of appointment of joint administrative receiver: 20 March 1992. Name of person appointing the administrative receiver: Mr. S. P. Green. R.M. ADDY and C.J. HUGHES, Joint Administrative Receivers (Office holder nos 1031 & 1034) Cork Gully, Mount Pleasant House, Huntingdon Road, Cambridge CB3 0EL.

**Notice of appointment of Joint Administrative Receiver**  
**CELESTIAL BULK LIMITED**  
Registered number: 2202348. Nature of Business: Manufacture of Bulk Powder Pressure Tankers. Trade Classification: 07. Date of appointment of joint administrative receiver: 19 March 1992. Name of person appointing the administrative receiver: Mr. S. P. Green. JOHN FREDERICK POWELL and IAN NAPIER, Joint Administrative Receivers (Office holder nos 249 & 614) Cork Gully, 43 Temple Row, Birmingham B2 5JT.

**Notice of appointment of Joint Administrative Receiver**  
**J.L. McLENNON LIMITED**  
Registered number: 1501895. Nature of Business: Specialist Handling and Packaging Engineers to the Brewing Food and Drink Industries. Trade Classification: 07. Date of appointment of joint administrative receiver: 25 March 1992. Name of person appointing the administrative receiver: Mr. S. P. Green. JOHN FREDERICK POWELL and DAVID JOHN CORNEY, Joint Administrative Receivers (Office holder nos 2025 & 1898) Cork Gully, 43 Temple Row, Birmingham B2 5JT.

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Last week's radiation leak in Russia could have occurred at dozens of sites in eastern Europe, writes Andrew Fisher

## Gaping holes in the safety net

They represent one of the grimmest legacies of the old Soviet empire, but it took a radiation leak near St Petersburg last week to refocus public attention on the primitive safety standards in eastern Europe's nuclear power stations.

The incident took place at Sosnovy Bor, one of the 16 RBMK-type nuclear plants which most international experts regard as the category of those beyond hope. But there are many other reactors which western power plant builders feel could be upgraded, and the sooner the better.

Because of their fundamental design flaws, there is broad agreement that safety standards at the RBMK-type (RBMK) reactors cannot be improved except at enormous cost. The only answer is to shut them down as soon as possible. What happened at Sosnovy Bor confirmed that, says Adolf Hüttel, head of the KWU power generation group of Siemens, the German company which is one of the world's biggest constructors of conventional and nuclear power plants.

These 16 RBMK light water gas-cooled reactors have no containment structures of steel and concrete to stop or lessen the impact of radioactive leaks. Also, the numerous cooling channels in each reac-

tor block are so arranged that the graphite used to moderate the reaction process can burn away dangerously in emergencies.

Another disaster like that at Chernobyl six years ago - it rated the maximum of seven on the international nuclear accident scale against three for Sosnovy Bor - would be disastrous for the local population. For the nuclear industry, it would also be a further setback in terms of image - not just in Europe, but also in the US.

There are 63 non-RBMK nuclear power stations to worry about; 42 are in operation and 21 under construction. It is these to which companies like Siemens, ABB, the Swiss-Swedish power engineering company, and Westinghouse of the US have directed their attention in the belief that safety could be improved in stages.

This approach would spread the cost over several years and avoid the unthinkable alternative for the countries concerned of shutting down the plants and depriving millions of people of warmth and light. Czechoslovakia, for instance, obtains 38 per cent of its electricity from nuclear energy and Hungary as much as 50 per cent.

The big problems are time and money. German Chancellor Helmut Kohl is keen that nuclear safety in

the Commonwealth of Independent States (CIS) and eastern Europe should be high on the agenda of the Group of Seven industrial countries' summit in Munich in July.

Will this stimulate the west into rapid action? "It will if the other six countries listen," asserts Hüttel. Any action, however, would have to go beyond the G7 nations, though they would bear the main load. Germany, most acutely aware of the problem since it borders on eastern Europe, does not want to finance the whole exercise alone.

Hüttel, who has been helping the Bonn government on this issue, envisages a three-stage plan which would cost roughly DM12bn (\$8bn), involve a broad measure of international agreement on basic safety standards and their implementation, and could be under way in the mid-1990s if work is begun soon.

Of the 43 non-RBMK nuclear plants, only the relatively recent VVER 230 pressurised water reactors are equipped with safety features comparable to those in the west. There are 18 of these 1,000 MW plants, of which 16 are in the CIS countries and two in Bulgaria. However, even these need proper controls to monitor changes in pressure and temperature and to trigger action in emergencies.

Those in worst shape are the 10



type VVER 230s (440MW) built up to 20 years ago. There are four in Russia, four in Bulgaria and two in Czechoslovakia. These cannot be re-equipped for long-term operation over the next 10 to 20 years at reasonable cost. For one thing, they also have no proper containment. In west Germany, for instance, nuclear plants have a thick steel casing and an outer concrete dome to protect them from air crashes.

In between come the VVER130s (also 440MW). These were mostly built at the end of the 1970s. There are 14 of them: four in the CIS countries, four in Hungary and six in Czechoslovakia. These have no proper containment structure, but do at least have a system for allowing pressure to escape.

For all the VVER types, the stage-by-stage plan envisaged by Hüttel is

as follows:

- Stage one. With a quick start, the next 12 months could be devoted to installing relatively cheap monitoring equipment to detect water or steam leaks, cracks in metal and loose floating particles. These devices and sensors could be fitted for around DM5m per block, or a total cost of some DM200m for all 42 units. In emergencies, they would shut down the reactor.

- Stage two. Eastern European governments and utilities would work out what was needed for each plant. As well as modern controls and instrumentation, plants would need separate emergency core cooling systems, which would not necessitate rebuilding the whole plant. These would function during an accident.

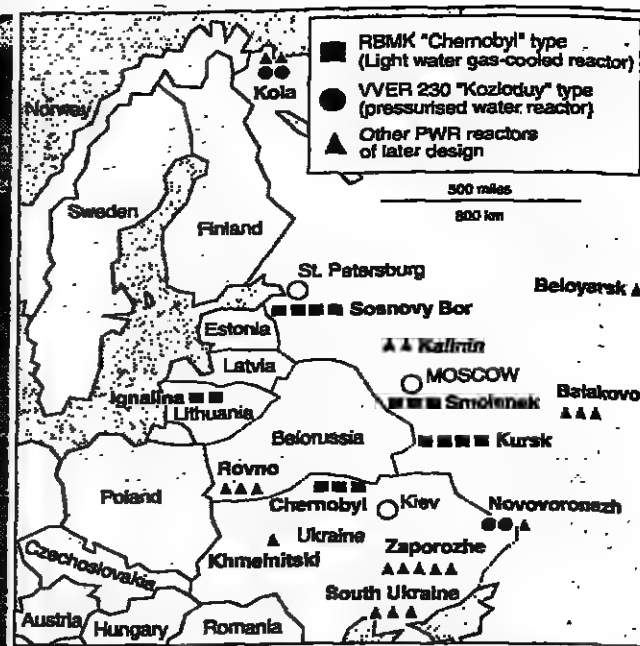
International experts would work with local engineers and officials to determine what should be done and the likely costs. Loan applications could then be made. At this stage, it is hard to say how the funds would be divided between government and private lenders. They would certainly need government guarantees. Hüttel believes the obvious channel for the money would be the London-based European Bank for Recon-

struction and Development.

- Stage three. Around DM5bn of Hüttel's estimated total would be for imports of equipment such as electronic controls and DM5bn for work done locally - the orders would be placed and the work begun. If all goes well, the many contracts could get under way in 1995 and be completed around 1997.

In five years' time, therefore, the main problems with the Soviet-designed water pressure reactors could be solved, with monitoring devices put in early.

The countries with the vulnerable nuclear plants do not have the money; the western nations do have the funds but their budgets are stretched. "The sums of money are not unbearably high for the west and there is no time to waste," believes Hüttel.



## Industry turns over a new leaf

British companies faces tougher pollution laws from today, writes John Hunt

THE UK government's ambitious attempt to bring the environmental clean-up of industry under one umbrella by a system of integrated pollution control (IPC) has just come to the end of its first year. Today marks the start of the five-year plan's second stage.

To prevent or minimise environmental damage the volume of pollutants emitted from a plant has to be authorised by Her Majesty's Inspectorate of Pollution. HMIP has the difficult task of policing the regime introduced by the 1980 Environmental Protection Act.

New or substantially altered processes came under the regime last April. Existing processes are being

brought in under a timetable stretching from last April to 1996. About 5,000 large companies are affected in total.

Industry has complained repeatedly about the time and cost of getting operations approved under the new system, and about the difficulty in getting quick advice from HMIP. The inspectors maintain, however, that industry often has itself to blame for any delays as many companies produced insufficient data in their applications.

Diane Brown, environmental executive at the Chemical Indus-

tries Association (CIA), says that HMIP is "trying hard" but progress has been very slow. "There was not sufficient time allowed to make all the preparations," she says. "The politicians wanted the system introduced quickly - so quickly it was."

John Gridland, director of environment for the Confederation of British Industry, estimates that it takes an average of 30 days for companies to fill in the application forms for authorisation, which run to 30 pages of questions. The rise in the costs of complying with the regulations has brought protests from

the CBI and the CIA.

For the coming year, the cost of authorisation doubles from £1,800 to £3,600 and the annual fee to cover inspection triples from £500 to £1,500. These are levied on individual processes so a company might have to pay a much larger total sum to authorise an entire plant.

Industry has been worried about public access to the information it provides to get authorisation. The act says that the information has to be withheld on the grounds of commercial confidentiality if a company

can prove it would be disadvantaged by disclosure.

The two large power companies, National Power and PowerGen, have not been brought under the new regime. They objected that publication of the mix of fuel they use would provide confidential information to their competitors.

HMIP rejected this and the companies appealed under the procedure laid down in the Environmental Protection Act. A verdict on the appeal is awaited from Michael Heseltine, environment secretary. Teething troubles were inevitable

but many of the problems are now being ironed out. An example is the way the system has been adapted to meet the complaints from the special chemical industry.

Companies in this sector make a wide range of products in a swiftly changing and competitive market. If each process had to be authorised every time a new order was received the cost and time consumed could drive them out of business. After consultation the inspectorate has produced a system whereby similar processes are combined in one "envelope" which is

given a single authorisation.

The heart of the regime is the rule that companies must apply the "best available technique not entailing excessive cost" (BATNEEC) in controlling pollution. Some companies have had difficulty finding out what this means in practice and fear that it will prove costly to introduce.

But David Slater, director of HMIP, says it need not be a problem. Multinational companies can often demonstrate the best techniques available and this provides a benchmark for others. "The keynote is practicability. We don't want to put industries out of business. We want them to stay in business and clean up."

## FT LAW REPORTS

### Manager has duty to act faithfully

TICEHURST AND ANOTHER v BRITISH TELECOM: COMMUNICATIONS PLC  
Court of Appeal (Lord Justice Neill, Lord Justice Ralph Gibson and Lord Justice Stocker): March 11 1992

INDUSTRIAL action short of striking taken by a manager on trade union instructions aimed at inconveniencing or damaging the employer, is a breach of her implied contractual duty to serve him faithfully within the requirements of her contract, and entitles him to refuse to let her work and to withhold wages for any period in which she evinces an intention to withdraw goodwill from her work-performance.

The Court of Appeal so held when allowing an appeal by the defendants, British Telecom communications plc (BT), from Judge Oddie's decision in the Mayor's and City of London County Court, that £517.70 and £297.66 wages were due to the plaintiffs, Mrs Alison Ticehurst and Mr Michael Thompson respectively. The appeal judgment referred only to Mrs Ticehurst, but applied equally to Mr Thompson, a computer support manager employed by BT.

LORD JUSTICE RALPH GIBSON said Mrs Ticehurst was employed as buildings manager at BT's Stone Technical College in Staffordshire. About 30,000 out of the 40,000 executives employed by BT in certain grades, were represented by the Society of Telecom Executives (STE), a trade union.

STE was seeking a pay increase. From about June 1989, its members took part in industrial action short of striking, described as "withdrawal of goodwill". They were instructed to choose work options which would cause the most inconvenience to BT, not to do certain work not already agreed with the STE, and not to co-operate with consultants or on projects or to accept new practices, unless agreed by STE.

In February 1990, STE members voted in favour of strike action. A half day strike was called for April 6 1990.

A letter dated April 4 was sent by BT to STE members, saying it was no longer pre-

pared to tolerate refusals to work in accordance with terms and conditions of employment. It said that following the April 6 strike, managers would be expected to work normally, and "those who are not prepared to honour fully the terms of their contract can be sent home, without further notice and without pay, until they are prepared to work normally in accordance with their contract".

On April 9, STE decided there should be a rolling campaign of strategic strikes. All members were instructed to take strike action on April 10 and 11.

Mrs Ticehurst, who had taken part in the half day strike on April 8, also took part on April 10 and 11. On April 12, the Thursday before Good Friday, Mrs Ticehurst returned to work. She was in charge of 40 staff. She worked normally for about two hours and was then told that because she had taken further strike action she was to leave the premises, and that on her return to work after the holiday, on Tuesday April 17, she would be asked to give an undertaking to work normally.

Mrs Ticehurst attended for work on April 17. She was asked to sign a document which read: "I undertake to work normally in accordance with the terms of my contract with BT from now on and to take no further industrial action." She was told if she refused to sign she must leave. She refused to sign, and left. The same occurred each working day down to April 26.

Judge Oddie found that her refusal to sign the undertaking was not breach of contract, nor was it a refusal to obey a reasonable instruction. He held she was ready, willing and able and wished to return to work. On the appeal, Mr Buxton for BT contended that if an employee was willing to perform only part of her duties or declined to carry them out properly, with the object of damaging the employer's business, the employer was not obliged to accept performance short of full performance and was entitled to refuse to permit the employee to work, and to refuse to pay wages.

Mr Elias for Mrs Ticehurst submitted that, on the evidence, the only reasonable inference was that she was

willing to do her work fully in accordance with her contract of employment and without qualification. He said if that was wrong and she was offering to work subject to qualification, neither the intention to respond in future to any strike call, nor to continue withdrawal of goodwill, would constitute breach of contract.

The appeal would be allowed on the ground that Mrs Ticehurst did not prove she was ready and willing to work contractually, and she was plainly evincing the intention to continue withdrawing goodwill in breach of the implied terms of her contract.

BT was, without bringing the contract of employment to an end, entitled to refuse to accept part-performance.

It was common ground that before April 12 Mrs Ticehurst had been taking part in withdrawal of goodwill. STE had called on her to do many things, with the intention of making BT's business unmanageable.

In *ASLEF No. 2* [1972] 2 QB 455, 498, where work to rule instructions avoided a specific direction to breach any express term of the contract but were aimed at frustrating the employers' commercial activity, Lord Justice Buckley said there was an implied term in the contracts of employment "to serve the employer faithfully within the requirements of the contract".

He said "the employee must serve the employer faithfully with a view to promoting those commercial interests for which he is employed".

It was necessary to imply such a term in the case of a manager who was in charge of other employees and who therefore must be entrusted to exercise her judgment and discretion in giving instructions to others and in supervising their work.

Such a discretion, if the contract was to work properly, must be exercised faithfully in the employers' interests. The term was breached when the employee did an act, or omitted to do an act, or in honest exercise of choice or discretion for the faithful performance of her work, but in order to disrupt the employer's business or to cause the most inconvenience possible.

The action by way of withdrawal of goodwill did have

adverse consequences.

If on her return to work Mrs Ticehurst was evincing an intention to continue to participate in the action of withdrawal of goodwill, BT was entitled on that ground, and without terminating the contract of employment, to refuse to let her remain at work (*Miles v Wakefield MDC* [1987] 1 AC 589).

The principle in *Miles* was that an employer did not have to accept and pay for the work of an employee who was not willing to perform his contract in full.

If the only intention evinced by Mrs Ticehurst was to continue to respond to a strike call if and when called upon by her union to strike, she would have been intending to perform her full contractual duties until sometime in the future, which might not happen at all, when she would break her contract by striking.

The evincing of an intention to continue to participate in the strike campaign did not constitute breach of contract which by itself would have entitled BT to refuse to permit her to work.

The strike was in sharp contrast with industrial action consisting of an intention to injure the employer while maintaining that the employee was working normally. The intention to continue in the action of withdrawal of goodwill if it was evinced, did entitle BT to refuse to let Mrs Ticehurst work.

Mrs Ticehurst did evince that intention for the following reasons: She took an active part in the withdrawal of goodwill before the strikes; STE's announced intention was that it would continue the withdrawal after the first strike; STE made no announcement before or after the second strike that the action would not be continuing; Mrs Ticehurst gave no evidence of saying to anyone at BT that she would no longer participate.

The appeal was allowed. Their Lordships agreed.

For BT: Jeffrey Burke QC and Roy Lennon (Counsel).

For Mrs Ticehurst: Patrick Elias QC and David Bean (Counsel).

Rachel Davies  
Barrister

## PEOPLE

### Career paths crossing Europe's skies

American Airlines has moved its international headquarters from the US to London and appointed Hans Mirka, a 28-year airline industry veteran, to run its expanding international operations.

Mirka becomes senior vice president international and will oversee all the airline's passenger and cargo sales and services in Europe, the Pacific, the Middle East, south east Asia and Africa from the new international headquarters. American operations include those it took over from TWA's North Atlantic routes.

Mirka, who had been in charge of American Airlines' international operations at Dallas for the past three years, will be the highest ranking manager in the US airline industry to be based in Europe. Born in Estonia, Mirka began his career at American Airlines in 1964. After serving as market development man-

ager in New York, he left to join Finnair as its sales manager for North America. In 1971, he returned to American Airlines and helped launch its first European service from Dallas to Gatwick. He also worked for Continental and PanAm before returning to American in 1988.

British Aerospace has, for its part, appointed a new chairman for its North American subsidiary responsible for both North and South America. Robert Kirk, the chairman of CSX, the US transport group, is replacing Brian Thomas at the head of BAE's American operations. He will continue as chairman of CSX.

Kirk was appointed a non-executive director of BAE last year becoming the UK company's first non-British director. The appointment was part of BAE's efforts to strengthen its board after the fiasco of its

controversial rights issue last autumn and the resignation of Professor Sir Roland Smith as chairman of BAE.

Air UK, the Stansted-based airline, has appointed Marcelle Speller to its board as marketing director. Speller was previously vice president strategic planning with American Express Travel Related Services for the UK and Ireland.

She is also a former vice president - marketing for Europe and the Middle East for Inter-Continental Hotels and has worked for Avis and Heineken Breweries.

Her appointment at Air UK coincides with an intensification of competition in the European air transport industry as a result of the European Commission's airline liberalisation policy and the develop-

ment of a single European air transport market.

Cathay Pacific has replaced John Olsen, its previous general manager for Europe who left to become chief executive of Dan Air's parent, Davies & Newman Holdings, with Tony Tyler, who arrives from head office in Hong Kong.

Tyler, 36, joined Cathay Pacific parent John Swire in 1977, moving to the airline a year later. More recently he was manager of Italy and France where he was responsible for setting up new routes to Hong Kong from Paris and Rome. He has also worked on the service from America and Japan. Since 1988 he has been general staff manager looking after all aspects of group personnel policy. He will be based in London, developing capacity and frequency of the European routes.

### Economist's mind tuned to predictable disasters

Geoffrey Dennis, the new director of international operations at the British Red Cross from today, had "always had it at the back of the mind" that he wanted to work - at a relatively senior level - for charity.

An economist by training, Dennis, who is 46, joins from engineering consultants Travers Morgan, where he looked after the planning division of its environmental side. There, and with his previous employers Ewbank Freese, he has managed a series of projects in the developing world - spending a lot of time in Bangladesh, but also India and the Far East, particularly Indonesia.

He says the fact that Travers was recently bought by Huntington, the engineering and environmental services group, had nothing to do with his decision to move to the charity - he had had interviews before he was aware of the Huntington offer, and adds that his area was anyway one of Travers' successes.

His new responsibilities encompass disaster relief, "still the highest priority" - for instance, tracing split Yugoslav families, and a relatively new departure, up-



front development work to help lessen the effect of predictable disasters, for example, providing hurricane shelters in Bangladesh.

In a disaster-ridden 12 months, the British Red Cross last year spent £29.6m overseas.

Attracted by the "young and dynamic" senior management - headed by director general Mike Whitlam, 46 - Dennis says the pay cut he has taken is not as significant as it would have been a decade ago, as charities have increasingly woken up to the need to attract "strong professional people".

He replaces David Wyatt who retired after seven years in the job.

Pharmaceutical wholesaler UNICHEM, which recently dropped out of the bidding for wholesale chemists Macarthy, has brought in Graham Sewell from Arcadian International as its new finance director.

Peter Dodd, Unichem chief executive, retires in May, to be replaced by Jeff Harris, the previous finance director and made deputy chief executive.

Sewell, a 42-year-old chartered accountant, had spent just 12 months as finance director of Arcadian International, a leisure property group. At the time he joined, Arcadian had been planning a number of acquisitions but decided instead to develop greenfield sites. Sewell, who sees himself as "very much from an operations background", decided to move on.

One priority at Unichem will be to develop the retail side of the business. With one joint venture in Germany, he also sees Unichem pressing ahead with further European expansion. That is a familiar area for Sewell, who had earlier spent two years as finance director of the international division of the pharmaceuticals company, and before that worked as one of the first employees outside the US of software house Lotus Development Corporation.

A torrent of complaints from building society customers has led to the appointment of a

third ombudsman for the industry to work alongside the two already in place, Stephen Udell and Jane Woodhead.

The new ombudsman will be Brian Murphy, 51, a partner of Farrer & Co, who specialises in commercial and general litigation, employment law and industrial relations. He qualified as a solicitor in 1966.

The latest incumbent will take decisions in his own right. He is likely to have a considerable volume of work: though final figures for 1991-92 will not be available until June, it looks as if complaints have doubled since last year.

BAYER, the German chemicals group, has appointed Lennart Aberg as managing director of its Bayer plc, its UK subsidiary. He replaces John Webb who becomes chairman, and will work with him for two months before taking up the new job on July 1.

Aberg, currently managing director of Bayer Sverige in Sweden, said yesterday that the problems facing Bayer in the UK were similar to those in Sweden, with low turnover and high costs. However, the scale of the businesses in the UK, which have a turnover of \$414m and employ about 1,700 people, were larger, he added.

ARTS GUIDE



## ARTS

## Holbein for National Gallery

The National Gallery has secured its Holbein, one of the paintings on its "most wanted" list. It was confirmed yesterday that "Portrait of a lady with a pet squirrel and a starting" will go on show at Trafalgar Square from April 23. Its owner, Lord Cholmondeley, accepted £10m net under a private treaty sale, which makes the gross valuation of the painting about £14.5m.

This success, after long and tortuous negotiations, is a triumph for three men - Neil MacGregor, director of the National Gallery, who led the campaign to keep the Holbein in the UK; Jack Buer, of dealers Hazlett Gooden & Fox, who undertook the negotiation; and the Gallery's chief, Lord Charles, of the National Heritage Fund, who today celebrates his last day as chairman by providing the £3m which clinched the deal.

Originally Lord Cholmondeley, who needs the money to shore up Houghton Hall, his Norfolk seat, was advised to sell the painting at auction, through Christie's on April 15. A price in excess of £15m was anticipated, but the Marquess would have had to pay tax of around 60 per cent on the hammer price.

To avoid this he suggested that the William Kent furnishings at Houghton should be offered to the nation in lieu of tax while remaining at the Hall. This would have made a mockery of the acceptance in lieu provisions.

With the National Gallery's annual purchase grant frozen, at £2.75m for the past six years, a package had to be assembled involving the heritage bodies. In the event the National Heritage Fund contributed £3.5m and there was also a donation from the National Arts Collections Fund. But the bulk of the cash, which the Marquess will receive over three years, comes from the National Gallery committing its future purchase grants.

Obviously, after this success it will not be in a position to make any important acquisitions in the foreseeable future, although it does have another purchase fund, financed by J. Paul Getty, that it can use in an emergency. The Getty money helped to purchase the Holbein.

Christie's may be relieved at the private treaty sale. It will not gain its 10 per cent buyer's commission on the hammer price, but it will receive a sweetener for its part in the negotiations, and it will not have to risk offering the painting at auction on an uncertain market. To get the same amount of cash for Lord Cholmondeley at auction Christie's would have had to find a buyer willing to pay around £27m. The Marquess has done very well out of his private treaty sale.

The BP Arts Journalism Awards were announced yesterday. Andreas Whitman Smith, editor of *The Independent*, took the press award for his newspaper's coverage of the Pop Art Show at the Royal Academy.

John Higgins, opera critic and obituarist of *The Times*, won a special award for his services to the arts. He started the FT arts page in the early 60s and went on to edit the arts page of *The Times*.

Antony Thorncroft

## TELEVISION

## Quality and popularity

On Sunday, BBC2 showed an excellent "Screen Two" called *The Last Romantics* in which writer Nigel Williams and director Jack Gold managed the difficult trick of combining a play of ideas (the old and new theories of literary criticism as represented by Quiller-Couch and the Leavisites) with a conventional drama of personalities in which a young political activist challenged F.R. Leavis with much the same cruelty, though less of the intellectual impact, that Leavis himself had used early in his career when he challenged "Q". The irony was that Leavis (played by Ian Holm) ended up feeling defensive about his old adversary while his frightening wife, Queenie (one of the best performances I have seen from Sara Kestelman, who gets better and better) became more vituperative than ever about Q and the old school.

It was a subtle and engrossing work in which the seemingly radical matter of literary criticism was shown to be central to the lives of those involved. No drama could convey the whole of the Q-Leavis-C.P. Snow debate about culture which occurred in Cambridge between the 1920s and 1930s without becoming didactic or absurd, but this production went a remarkable distance quite safely down that road.

Towards the end, Q (Leo McKern) said to Leavis: "The

issue is whether we share a culture, isn't it, and I have only to look out of my window to know the answer. Just over that wall, even in Cambridge, there are ordinary people, and I cannot believe that they see things much differently than they did in Shakespeare's day, or that they are so very different from you and me, or that they can't be expected to understand poetry".

At which point Leavis said: "They inhabit a different world". Q responded: "If I really thought that was the case how could I stand upon my hind legs and talk about something called literature? Because if literature is in as bad a way as you make it sound, it is little more than a private language, and you know what happens to private languages: they grow stale, they die, and they are for gottens".

I quote at length because it seems to go to the heart of a debate which has been proceeding since last October when Michael Ignatieff interviewed David Hare on *The Last Show* about his play *Murmuring Judges* and led Hare into a discussion about "relativism" (though the word was not mentioned): the question of whether, since the 1960s, there have been any widely accepted standards left in the arts in Britain. Hare asserted that, contrary to views which supposedly became popular in the 60s, especially on television,

Kestis is a better poet than Bob Dylan.

Hare's main points seemed to be that the people involved in television arts programmes, especially programmes like *The Last Show*, treated the arts in an indiscriminate and amoral way, and encouraged destructive criticism from people who had themselves never created anything of value. That second argument was settled by Dr Johnson 200 years ago when he responded to Boswell's breast-beating about some earlier criticism of a play by Mallet ("How vain should either of us be to write one not near so good") with: "You may scold a carpenter who has made you a bad table, though you cannot make a table. It is not your trade to make tables".

However, the first part of the argument has continued within *The Last Show* and on various arts pages, especially in the Guardian, where Patrick Wright summarised the new approach as "carrying out elaborate cultural studies on the everyday world, deciding advertisements and drawing up lifestyle audits on each other". The debate is scarcely new, of course. There have always been those who looked on programmes such as the famous edition of *Arena* on the Ford Cortina as a surrender to philistine values.

No doubt the defenders of the old faith will have despised *Arena's* two most recent programmes, on Chi-Chi, the

famous panda in London Zoo, and on the fiction of Arminster Mappin, the gay writer whose columns "Tales Of The City" became such a hit in the *San Francisco Chronicle*. Above all they will have loathed last week's edition of *40 Minutes* called "Farewell Fab 200", which offered a showerhead of nostalgic sights and sounds for those who grew up with Radio Luxembourg. "Your station of the stars". I found all three fascinating, and informative.

Many people, probably a majority of the regular readers of this page, would argue that the value of Radio Luxembourg to society is a tiny fraction of the value of, say, the Royal Opera House, because the experience of listening to, say, Plácido Domingo singing "Your tiny hand is frozen" is vastly superior to that of listening to Max Bygraves singing "You need handie".

With that particular comparison, who could disagree? But you do, surely, have to be very particular: what about Frank Sinatra at the peak of his career singing Cole Porter, as compared with one of our many lesser tenors singing in one of Covent Garden's flops? Even Hare admitted to Ignatieff that Raymond Chandler is a better writer than many of those who, in his day at Cambridge, were required reading. I suspect that what is hap-

Sara Kestelman as Queenie Leavis and Ian Holm as F.R. in BBC 2's *The Last Romantics*

pening here is that, for the first time in history, there is a universally available means of mass communication (television) which is able and willing to investigate and celebrate popular art before history has had time to sort out good from bad. Even the rigorously elitist Leavis in his best book, *The Great Tradition*, acknowledged the quality and value of Dickens' *Hard Times*, and how did that first reach the public? As weekly episodes in *Household Words*, its appearance more than doubling the magazine's circulation. In other words it was the soap opera of its day, appearing in the populist medium of its day.

It is hard to avoid the feeling that the debate now advancing under the impressive device

"relativism" is actually just a variation on the familiar snobbish attitude towards television among the British intelligentsia, and it is not hard to see why. If you work in the theatre what can you hold up in your own medium, from the past five or six years, which bears comparison with *Edge Of Darkness*, *The Singing Detective*, *A Very Peculiar Practice*, *Tutti Frutti* or *Talking Heads*? (And that ignores adaptations). Even more to the point, what can the theatre produce to compare with *Minder*? Naturally the standard has varied, but at its best *Minder* can easily bear comparison with Dickens, and its audience is even larger than his was.

Obviously a book, theatre production or programme is

not good merely because it is popular, as anybody with a minimum of judgment and taste can tell by looking at a Mills & Boon paperback, *The Mousetrap* (not long ago I checked: it is appalling) or any edition of *Neighbours*.

More importantly, however, anyone who looks at Amis's novels, Ayckbourn's plays, and a host of television programmes from Attenborough's to Alan Bennett's can also establish that a book, theatre production or programme is not bad merely because it is popular, and that is the point which those marching under the "relativism" banner seem to find so very hard to accept.

Christopher Dunkley

## The Chalk Garden

Here is a bold revival, especially for this theatre. Eud Bagnold's *The Chalk Garden* was written in 1968, almost at the same time as John Osborne was writing about Jimmy Porter and the English stage was putting the old upper middle class traditions behind it.

Mr Bagnold, as I suppose we would call her now, though she was in fact Lady Jones, the wife of the chairman of Reuters, belonged firmly to the old school of plot, characters, servants and masters, an element of suspense, some symbolism, no swearing and a few witty lines of dialogue. She was different from what came after.

Or was she? Watching *The Chalk Garden* I had an uneasy sense of continuity. The play reminds you of Terence Rattigan, whom the King's Head has also had a shot at reviving. But in technique, it is not so far apart from *Look Back in Anger*. It is the social attitudes and the language that have changed.

In the Bagnold world it was possible to talk about Aden without guilt and without even mentioning - remember 1968 was the year of *Suez* - that it was a British colony. These were miniatures of justice by eminent judges: people went mad, couldn't stand their mother, abandoned their children and went off with lovers. But they referred these matters in an articulate way, sometimes even in front of the servants.

*The Chalk Garden* is a bit heavy on symbolism. Essentially it is that some plants grow on chalk and some do not. "Whoever tried to grow rhododendrons in a chalk garden? Soil cannot give what it has not got," says Miss Madrigal, the possible murderess who has served 15 years in prison for a crime we do know if she has committed, or even wholly what it was. And so it goes for people: they need the right environment (not, incidentally, a word much used in the Bagnold vocabulary).

Maitland, the manservant, has been in prison too - for being a conscientious objector. He and the abandoned daughter are fascinated by murders, but so not so much the crime itself as the motivation behind it.

In the end it all ends happily enough, though not without a final jump in the throat. The old judge who sentenced Miss Madrigal comes to



Constance Cummings: places the eccentric grandmother in the grande dame tradition

lunch, the mother returns from the Middle East to pick up her daughter who has been loosely in Miss Madrigal's charge and Miss Madrigal decides to stay with the grandmother determined to grow unexpected plants on chalk.

Sentimental perhaps, but dated only in the sense that it belongs to a period. As a vehicle for acting, it is superb. Robert Austin is a marvelous Maitland, Constance Cummings plays the eccentric grandmother in the tradition of the best of English *grandes dames* and Jean Marsh is full of fluttering feeling as Miss Madrigal. Everyone shines and the piece is directed by Mark Raymond.

Malcolm Rutherford

King's Head Theatre Club  
115 Upper Street, N1  
Ends May 2  
Box Office 071-235 1516

## Music in London

## The Wallace Collection

John Wallace is a cheerful Scot who plays the classical trumpet. He has been a Philharmonia principal for years, but also runs a sort of brass sewing-group, neatly called the "Wallace Collection", and with them or solo he hunts up new music. In the Queen Elizabeth Hall on Monday, the group got together with the Philharmonia for a beaming programme.

The first half was doubly perverse. Not only did it begin with Britten's all-strings *Simple Symphony* arranged for chording between quintet (heavy brass: two trumpets and percussion) by Colin Matthews and Simon Wright, and a Gabrieli Sonata for five mixed-instrument choirs suitably arranged for 23 strings (by Wallace), but it required two long, fascinating ballets of stagehands to rearrange the seating for the different performing forces.

Ránski's appearance at St John's on Monday was a real lunchtime treat. London seems to have been starved of fine piano recitals lately - too many cancellations, too many second-rate pianists propelled to top billing - and by any measure Ránski, an infrequent visitor here, belongs in the top flight. His programme of Haydn, Kurtag and Beethoven for the BBC Radio 3 proved to be a fine showcase for his refinement and elegant control.

There has never been anything ostentatious about Ránski's playing. Haydn's *F minor Andante* and Variations were unfolded with an easy, slightly unselfish grace, every particle became so beautifully focused that a momentary lack of precision, a flurry of semi-quavers out of kilter in the second variation, was made to seem a major miscalculation, even though poise was immediately restored for the coda.

Beethoven's *E flat major* sonata Op. 31 no. 3 was similarly illuminated by Ránski's scrupulous concern for voicing and balance. The shading imparted to the opening phrase, the weight transferred gradually from left hand to right as the tone colour was allowed to open out, was characteristic of the care he lavished on every aspect of the sonata. It was capped by a scherzo of unflagging buoyancy, each line wonderfully articulated, and a finale of plain good humour, neither sly nor overdone.

Between variations and sonata Ránski offered a group of a dozen pieces out of György Kurtág's collection *Jatek* ("Games"), child-like but never childish explorations of the simplest ideas - a single note, a single chord, a glissando. To an artist of Ránski's sophistication and accomplishment the miniatures offer a wonderful

opportunity to demonstrate how effective it can be when the most straightforward things are executed effortlessly, and difficulties made to seem straightforward.

Another non-appearance at the Royal Festival Hall by Martha Argerich: she was to have played there on Sunday, with the Philharmonia under Claus Peter Flor. On this occasion there was at least a substantial measure of compensation in the substitute: the young Argentinian Nelson Goerner, most recent prizewinner of the Geneva Piano Competition.

I heard him for the first time last summer, when he stepped in at the Granges de Meslay Festival at Tours for an equally elusive front-rank virtuoso, Sviatoslav Richter, and acquitted himself with

memorable poise and naturalness. On Sunday it took him all of the first movement of Mozart's C minor concerto, K. 491, to fine down the edgy brightness of his delivery and calm a tendency to run nervously ahead of the beat. But once disciplined to the services of the music, that same mercurial spirit touched on the sublime unease of the concerto with remarkable vividness.

In the finale, Goerner's spontaneous responsiveness to the dramatic pull of the argument was balanced by his beautifully weighted delivery, with limpid, shapely, and at the same time "personal" insights in every bar. With partnering less insensitively brisk and bandmasterly than Flor's, he would surely have made an even more positive impression; in any event he has successfully argued the case for a return invitation.

Max Loppert

David Murray

Andrew Clements

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Max Loppert

## INTERNATIONAL ARTS GUIDE TODAY'S EVENTS

## AMSTERDAM

Muziektheater 19.30 Julian Reynolds conducts Pierre Audi's production of Mozart's *Mitridate*, with Bruce Ford and Jochen Kowalski. Tomorrow, Fri. Sat and Sun: Dutch National Ballet triple bill (8255 455).

Concertgebouw 20.15 New London Choral in concert. Tomorrow and Fri. Riccardo Chailly conducts Ives, Varèse and Schat (6718 345).

## BRUSSELS

Palais des Beaux Arts 20.30 Soloists of the Ballet of La Scala, Milan, in a programme of highlights from *Sleeping Beauty*, *Giselle* and *Romeo and Juliet*. Repeated tomorrow and Fri. Sat. Bach's B minor Mass (507 8200). Monnaie 20.00 Rosas dance group in *Achterland*, choreography by Anne Teresa De Keersmaeker, music by Ligeti de Vasey. Also tomorrow and Fri. Sat. Dietrich Fischer-Dieskau, accompanied by Christoph Eschenbach.

alings Die schöne Müllerin (219 6341)

## COLOGNE

MUSIC  
Tonight at the Opernhaus, James Conlon conducts Harry Kupfer's new production of *Pelléas et Mélisande*, with Jeanne Pilsand, François Le Roux and Victor Braun, also Sat. Tomorrow and Sun: The Anger of Achilles, new ballet by Jochen Ulrich. Fri. Der Rosenkavalier with Felicity Lott (221 8400). Tomorrow at the Philharmonie: reconstructed version of Bach's St Mark Passion. Fri: recital by Vitoria Mullova. Sat: Marcello Viotti conducts Copland, Gershwin and Bernstein. Sun: Bach's St. Matthew Passion (2801)

## THEATRE

The current repertoire at the Schauspielhaus includes Dürrenmatt's 1980 play *Der Besuch der alten Dame*, directed by Uwe Eric Laufenberg (tonight and Sat), Jean Genet's *The Maids* (tomorrow) and Aristophanes's *Lysistrata* (Sun). Tonight's performance at the Schlosserei is Heiner Müller's play *The Mission*, Memory of a Revolution (221 8400)

## DRESDEN

Semperoper 19.00 La bohème, also Sat. Tomorrow: Einführung. Fri: song recital by Helen Donath. Sun: Parsifal with Klaus König and Theo Adam (484 731). Tomorrow and Fri in Kulturpalast: Giuseppe Sinopoli conducts the Dresden Staatskapelle in works

by Webern, Mozart and Schubert (484 731). Sat and Sun morning: Lothar Zagrosek conducts the Dresden Philharmonic Orchestra in works by Beethoven and Brahms (4886 306). Sun in Kreuzkirche: Vespers with the Kreuzchor (485 1435)

## HAMBURG

Staatsoper 19.30 Don Pasquale. Tomorrow, Fri and Sat: John Neumeier's production of *Sleeping Beauty*. Sun: Turandot with Gailina Savova and Lando Bartolini (351721). Deutsche Schauspielhaus 19.30 Lessing's 1772 tragedy *Emilia Galotti*. Tomorrow: Arthur Miller's *Death of a Salesman*. Fri and Sat: Bernard Minetti of the Berlin Schiller Theater in a stage adaptation of Grimm's *Fairy Tales*. Sun: *The Tempest* (248713)

## LEIPZIG

Gewandhaus 20.00 Iona Brown is conductor and soloist with the Norwegian Chamber Orchestra in a programme including Vivaldi's Four Seasons. Tomorrow and Fri: Jörg-Peter Weigle conducts the Gewandhaus Orchestra in Schubert's Second Symphony (7132 252). Fri in Opernhaus: Britten's *A Midsummer Night's Dream*. Sat: Les Contes d'Hoffmann. Sun: new Gubaidulina ballet, choreographed by Arila Siegart (7188 273)

## LONDON

Covent Garden 19.00 Jeffrey Tate

conducts John Schlesinger's production of Les Contes d'Hoffmann, with Neil Shicoff, Samuel Ramey, Anne Howells, Sam Lo and Leontina Vaduva, also Sat. Tomorrow: Guillaume Tell (071-240 1066). Tomorrow at Sadler's Wells: first night of Baryshnikov season (071-278 5916)

Coliseum 19.30 Harry Bicket conducts David Freeman's ENO production of Monteverdi's *Orfeo*, with a cast including Anthony Rolfe Johnson, Sally Burgess and Jennifer Smith. Tomorrow: first night of new production of Don Carlos (071-836 3161). Royal Festival Hall 19.30 Kurt Masur conducts the London Philharmonic in Hindemith's Concert Music for strings and brass, Gershwin's *Rhapsody in Blue* (soloist Cécile Ousset) and Tchaikovsky's Fifth Symphony. Tomorrow: Rattle conducts the CBSO (071-928 8800). Tomorrow at the Barbican: Alfred Brendel plays Beethoven (071-638 8891). Queen Elizabeth Hall 19.45 Guy Barker Quintet and Keith Nichols Orchestra in a programme entitled 60 Years of Jazz. Trumpet. Tomorrow: Vivaldi's Gloria (071-928 8800)

## NEW YORK

THEATRE  
● Hamlet: Stephen Lang stars in Shakespeare's tragedy, directed by Paul Weidner. Final preview tonight, opens tomorrow, runs till May 3 (Criterion Center Stage Right, 1530 Broadway at 45th St. 669 8400).  
● Jelly's Last Jam: Gregory

Hines stars in a musical based on the life and times of musician-composer Jelly Roll Morton. Currently previewing, opens on April 25 (Virginia Theater, 245 West 52nd St, 239 8200).

● Man of La Mancha: Raul Julia and Sheena Easton head the cast in a revival of the 1967 musical based on Cervantes' *Don Quixote*. Currently previewing, opens on April 27 (Marquis Theater, 1535 Broadway at 45th St, 382 0100).

● The Master Builder: Ibsen's drama, directed by Tony Randall, has a cast including Lynn Redgrave. Runs till April 26 (Belasco Theater, 111 West 44th St, 239 6200).

● Conversations With My Father: Herb Gardner's play, set in lower Manhattan, spans four decades and focuses on a youth's coming of age and his struggle to communicate with his strong-willed immigrant father (Royale Theater, 242 West 45th St, 239 6200).  
● Ticketmaster answers inquiries and sells tickets for most shows on and off Broadway shows (307 4100) and rock/pop concerts (307 7171)

## PRAGUE

Tonight's Prague Symphony Orchestra concert at the Smetana Hall is conducted by Libor Pesek, and consists of Strauss' Oboe Concerto (Jonathan Small) and Mahler's Second Symphony (u Prasne brany 2, 232 5858). Tomorrow and Fri: Jiri Kout conducts the Czech Philharmonic

Orchestra in Bruckner's Eighth Symphony (231 9164). The repertoire at the Prague State Opera (formerly Smetana Theatre) includes a new production of two Zemlinsky one-act operas. For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Příkopě 16, 226738, or Melantrich, Wenceslas Square 38, 226714) and theatre box offices.

## STOCKHOLM

Royal Opera 19.30 Hal Franche conducts Ann-Margret Pettersson's production of Maria Stuarda. Tomorrow: Arabella. Fri: Le nozze di Figaro (248240). Konserthuset 19.30 Witold Lutoslawski conducts the Stockholm Philharmonic Orchestra in a programme of his own music: *Livre*, Cello Concerto (soloist Torleif Theeden) and Third Symphony. Repeated tomorrow (244130)

## STRASBOURG

Palais de la Musique 20.30 James Loughran conducts the Strasbourg Philharmonic Orchestra in Ravel's *Le Tombeau de Couperin*, Strauss' *First Horn Concerto* and Dvorak's Eighth Symphony (8837 6777). Théâtre National 19.30 Les Amours Tragiques de Pyrame et Thisbé, play by the early 17th century French poet-playwright Théophile de Vieux. Daily except Sun and Mon till April 11 (8835 4452)

## European Cable and Satellite Business TV

(all times CET)  
MONDAY TO FRIDAY  
CNN  
0200-0230, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel  
0630-0800 (Mon) FT East Europe Report - weekly in-depth analysis from FTTV  
0830-0900 (Tues) Spiegel TV - int Report - the real world of documentary  
2130-2200 (Tues) Media Europe - what's new in European media business  
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini  
0530-0550 (Thurs) Media Europe  
2130-2200 (Thurs) FT Eastern Europe Report  
0830-0900 (Fri) FT Business Weekly  
2130-2200 (Fri) Spiegel TV - int Report

Sky News  
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly  
SATURDAY  
CNN  
0900-0930 World Business This Week - a joint FT/CNN production 1800-1930 World Business This Week

Super Channel  
1930-2000 FT Eastern Europe Report  
CNN  
1030-1100, 1800-1830 World Business This Week  
Super Channel  
1800-1930 FT Business Weekly  
Sky News  
1230-1400, 2030-2100 FT Business Weekly



## FINANCIAL TIMES

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Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday April 1 1992

## Weakness at the Tory heart

BRITISH BUSINESS overwhelmingly desires an outright Conservative victory in next week's general election. As a consequence, there is growing dismay at the quality of the effort being directed to achieve that end.

On paper, the Conservatives can comfort themselves that until last night they were on average only a couple of percentage points behind in the opinion polls. It may yet be that, in the privacy of the marginal seat polling booth, the combined alarm at Labour's personal tax plans and fear of the unknown will save Mr Major from eviction.

Yet when the campaign began three weary weeks ago, the Conservatives had every reason to think they could overhaul a party committed to tax increases and with a leader whose personal rating has oscillated between the cool and the downright hostile. Mr Major, by contrast, remains a well-liked, trusted figure. What has gone wrong?

The campaign, to put it mildly, has lacked focus. Was Mr Major to be a bar-stool crooner or a soap-box firebrand? Both continue to be tried. Was Mrs Thatcher in exile from the campaign or at its heart? She began on the edge, moved to the centre and is now in America. What is Mr Michael Heseltine up to? Before the election he was made minister of everyone else's portfolio. He has yet to make an impact on the campaign. Other dogs of war have been unleashed, only to sink back to their kennels. Mr Christopher Patten, the party chairman, spends half his time fighting his own marginal seat in Bath and is therefore dependent upon mobile phone and fax contact with his inexperienced team at central office. On the rare occasions when the also permanently itinerant Mr Major and Mr Patten sit down to think, their fatigue can only be guessed at. Frankly, the Tory front bench looks exhausted.

### Endless confusion

There has also been endless confusion about the desired terrain of the Tory campaign. Initially, the focus was tax and Mr Major. After Labour's shadow budget, it became obvious that Mr Lamont was no campaigning match for his shadow, Mr John Smith, and the Tories slipped back in the polls.

Then came the diversion caused

by Labour's mishandling of its health campaign, which ironically led to a modest narrowing of the Labour lead. How did central office respond to that? By relaunching the week-one tax theme, with the same tired advertising, thus bringing Mr Smith back into the spotlight, since when he has cruised up and down the River Thames shelling unfortified Tory positions at will.

Journalists have been briefed that the Tory campaign would become more aggressive towards Labour - more "negative", then that it would be more positive. If household appliances were wired in this manner the whole of central office would have been electrocuted by now.

### Unpunished mistakes

Meanwhile Labour has been allowed to make unpunished mistakes after mistake. Most obviously, the Tories' response to Labour's unscrupulous health broadcast was fluffed, but every day brings new errors. The prime minister promises annual tax cuts. The chancellor says Britain can't afford them. Mr Kinnock virtually pledges to index public sector pay to private sector wages: central office manages, just, a fax to the press by saying:

Labour's own campaign has been tight rather than brilliant. It has benefited from a single sustained message - "It's time for Labour" - and unshakably solid salesmanship from Mr Smith. Mr Kinnock is mainly seen parading grandly, but when he has emerged for big television interviews, he has done well, handling hard questions on the economy and public finances with a savvy many thought beyond his capability.

Mr Major now has a mountain to climb and looks short of oxygen bottles. As he gathers his advisers for a last, desperate attempt at the peak, he will need more than a new advertising agency and a good night's sleep.

He needs to decide, in a way which his manifesto failed to do, whether he stands for softly spoken Thatcherism or something identifiably different. Although a popular man, his campaign has exposed to the British public his party's identity crisis. This is not just a matter of presentation: it is the weakness at the heart of the Tory campaign.

## New challenges for Mr Mieno

THE BANK of Japan has overplayed its waiting game; monetary policy has remained too tight for too long. The desire of its governor, Mr Yasushi Mieno, to appear independent of political influence has prevented the interest rate cuts needed to boost confidence and revive Japan's ailing economy. Yesterday's modest fiscal package will do little to improve growth prospects; fiscal policy is a notoriously ineffective tool for stabilising economies. The risks facing the Japanese economy justify an aggressive easing of its monetary policy.

It is slow growth, not a revival of inflation, that currently threatens Japanese economic stability. Mr Mieno was right to keep monetary policy tight throughout 1989 and 1990 in order to deflate Japan's asset price bubble; it appeared he would succeed without a recession. But last year's heroics turned into today's villain. The governor may well have already gone too far in the deflationary direction.

The Bank of Japan remains obsessed with the need to prevent a resurgence of land and retail price inflation. The stock market is at a five-year low; residential land prices fell last year for the first time in 17 years; broad money growth is at record lows; and consumer and wholesale prices both fell in February. Meanwhile, the impending signs of recession are accumulating: gross domestic product contracted in the last quarter of 1991; industrial output fell in February compared with the year before; business and consumer confidence is depressed.

### Failing the test

Yet interest rates have fallen by just 1½ percentage points from their peak, and not at all since Christmas. An effective central banker must be willing both to raise interest rates at the first sign of inflationary pressure and then cut rates aggressively when falling inflation risks turning into output deflation. So far Mr Mieno is failing the latter test.

Japan may still escape the full-scale debt deflation that the US and UK are currently enduring. The Japanese financial sector has been hit by the combination of high real interest rates, the fall in stock market wealth and accumu-

lated bad debts. But so far, companies and consumers have escaped relatively unscathed.

Japan's consumers are not being hit by the paralysing combination of heavy debts and rising unemployment that has stalled recovery in the US and Europe. Households were largely unable to borrow against residential property values during the boom; and unemployment remains low and falling. The corporate sector is more exposed to high interest rates and falling stock prices; even so, corporate liquidity remains above its levels of the early 1980s.

### International side-effects

Slow rather than no growth remains the more probable outcome for Japan this year. But the international side-effects of this domestic slowdown are great. Domestically, the credit squeeze may be confined to the financial sector. But the unwillingness of Japanese banks to lend, and their refusal to contract assets to meet international capital standards, is starving world financial markets of new capital. Nor can an export-orientated economy like Japan ignore the effects of its domestic policies on its main trading partners. Japan's trade surplus has doubled over the past year, owing largely to falling imports.

Yesterday's fiscal package will have done little to raise import demand. But if easing trade tensions was the aim, yesterday's fiscal package was a modest step in the right direction. It offered no new spending on top of the modest increase in spending already agreed; its effect on growth this year will be modest. But by bringing this forward to the first half of the fiscal year, it suggested there may be more money in the pipeline. A shift towards more public spending, and less public saving, is the most effective way to reduce the trade surplus.

Robust domestic demand growth is also a prerequisite for smooth US-Japanese relations. The best way to spark recovery is to cut interest rates. A cut of less than one percentage point will not suffice; and Mr Mieno must be willing to cut rates again. An independent central banker is better than a politically compliant one; but there is no merit in being independently wrong.

The verdict on the Japanese government's package of emergency economic measures announced early yesterday could hardly have been more swift or more clear. As investors gradually absorbed the details of the package, the stock market fell 323.36 points to finish the fiscal year at a new five-year low of 19,345.96 on the Nikkei index.

The market was also unimpressed by reports that Japan's official discount rate would be cut by 0.75 percentage points this morning to 2.75 per cent. With manufacturing inventories bulging and capital spending being cut, many economists believe that even a steep cut in rates would not encourage fresh corporate borrowing.

The government's package, aimed at stimulating the economy, did not dispel the deep sense of pessimism which has tightened its grip on Japanese financial markets; it merely reinforced fears that no one was riding to the rescue.

In spite of cries of anguish from the financial industry, burdened by trillions of yen of bad debt, in spite of plunging property prices, collapsing profits of manufacturing companies, steep cuts in manufacturing investment, falling industrial output, and weakening consumer spending, in spite of all this, the Japanese government does not believe the economy is suffering from much more than a lack of confidence.

The government is accelerating public infrastructure investment by spending 75 per cent of the annual budget in the first half of the year. Yet the programme includes not a single yen of previously unbudgeted money. Economists could find only a maximum of two trillion yen (about £9bn) of spending - amounting to less than half a per cent of gross national product - moved from the second half of the year to the first, and there is no commitment as yet to fill in the spending gap in the second half of the year.

In announcing the package, the Economic Planning Agency, which co-ordinates government economic policy, argued that employment, consumer spending and even corporate profits remained strong. The agency said it was merely trying to prevent a psychology of pessimism from spreading throughout the economy.

But is the government right? Is Japan's underlying economy strong in spite of the deep depression among financial and manufacturing industries? The fall in capital spending, industrial output and the cooling of consumer spending, it maintains, are a necessary and even healthy response to the rampant asset inflation of the 1980s "bubble economy".

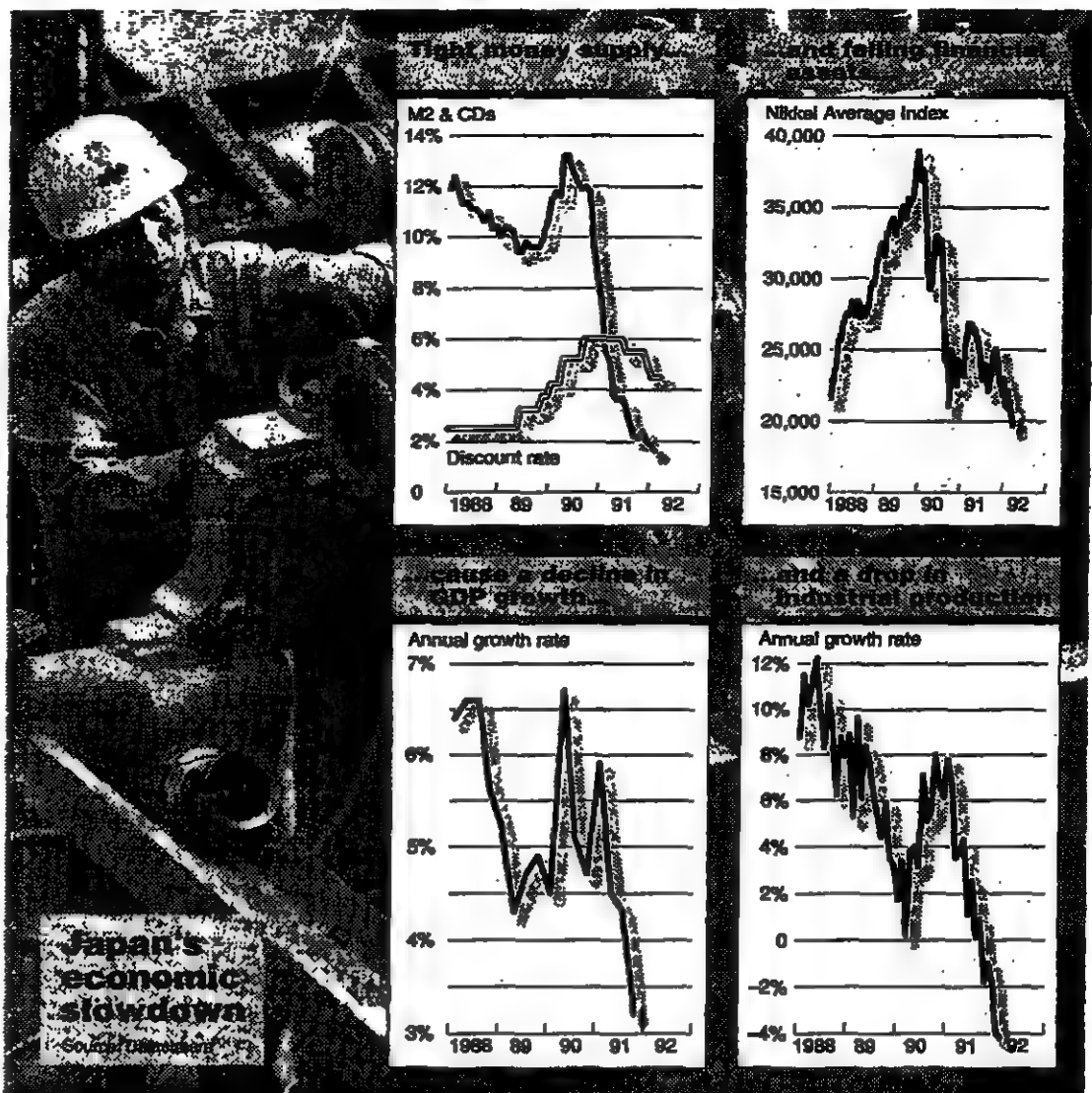
Or has Mr Yasushi Mieno, the central bank governor, squeezed too hard and too long in efforts to dampen inflation by means of high interest rates, now at 4.5 per cent, and thereby caused an unnecessary slowdown in the economy?

A great deal is at stake. Japan's trading partners are growing increasingly annoyed at Japan's huge trade surpluses. As the US and European economies try to climb out of recession, they will not want to see depressed import demand from Japanese consumers, the main cause of the rise in the trade surplus over the past year.

The strongly negative reaction of the US government to the stagnation of US semiconductor sales in Japan, announced on Monday, could be a taste of much sadder things to come, particularly in industries such as cars or electron-

## A package that fails to please

Steven Butler asks whether Japan's spending proposals can boost the economy



ics. It is, therefore, important not only to Japanese companies and shareholders but also to the world trading system that the government comes close to its growth target of 3.5 per cent this year by reviving domestic demand. This, however, is looking less and less realistic.

The roots of the current slowdown lie in the enormous expansion of the Japanese economy in the late 1980s. The fall in the official discount rate, the rate at which the central bank lends to commercial banks, to a low of 2.5 per cent during 1987 and 1988, together with a rising stock market, meant that corporations were able to raise funding at almost no cost, contributing to an asset price boom.

Mr Mieno began to raise interest rates in 1989 to pierce the bubble. The stock market first backed in early 1990 and land prices have fallen steeply since then, leaving banks and companies with poorly secured loans and accumulating bad debts.

It seemed that he had successfully steered a delicate course - puncturing the asset price boom and bring-

ing down consumer price inflation, yet having little impact on economic activity. The current slowdown, however, suggests that such a positive diagnosis may have been premature.

As a series of unexpectedly weak statistics over the past month has shown, the economy is now in pain: ● Industrial output. Industrial production declined in February for the fifth month running on a year-on-year basis. Factory output was 4.3 per cent lower in February than a year ago and 0.6 per cent less than in January. Production is being pushed down because manufacturers have accumulated inventories of unsold goods. The adjustment process of bringing down those inventories has begun. Inventories fell by 1.4 per cent from January after months of build-up, but they remained 10 per cent higher than a year ago in February.

● Money supply. Japan's money supply growth has fallen to historic lows for three months running, with broad money (M2 plus certificates of deposits) expanding by just 1.6 per cent in February. The

growth rate has been distorted by a flight of money into postal savings, which are excluded from the definition of broad money. Nonetheless, even on its widest definition, credit growth has fallen well below the central bank's projections. A collapse of demand for funds from the corporate sector is what lies behind the exceptionally weak numbers.

● Consumer spending. Consumers have money in their pockets, but they are not spending it as actively as they were up until last autumn. Store sales have generally been flat to slightly negative year-on-year.

● Bank assets. Banks may be shouldering up to ¥30,000bn (£87bn) in bad and doubtful debts, much of which is secured by property that has plunged in value. The true size of the problem is impossible to gauge because, under bank regulations, the banks are not required to report the figure or cover it with provisions.

With the commercial banks' reserve capital eroded by the stock market plunge, banks could struggle to meet the 8 per cent capital-to-asset ratios specified by the Bank

for International Settlements, which take effect next year. The need to meet this ratio is creating difficulties for the banking system and many weaker banks may face a crisis. Most banks are being forced to reduce their asset base, and to be exceptionally cautious about extending new credit.

One obstacle to an autumn recovery is that banks will encounter problems providing the necessary finance for expansion. Even sound but not cash-rich companies may then find it hard to borrow.

All this evidence would appear to point to an economy with serious difficulties in many sectors. Compared with the scale of the problems, the government's package of fiscal measures intended to stimulate the economy looks inadequate, unless it is followed by a supplementary budget to boost domestic growth. Economists yesterday were talking of the need for a stimulus of ¥5,000bn-worth of public spending.

The government may, however, be proved right in its belief that the economy is not as deeply troubled as it might appear. "Recession" in Japan certainly looks nothing like its counterpart in the UK or the US where the cost in unemployment, house repossession and falling businesses is high. As the Japanese economy steadily has weakened over the past year, 1.4m jobs have been created. Unemployment in February declined by a 0.1 percentage point to 2 per cent. Nationwide there are about 25 jobs for every applicant. However, this ratio has dropped over the past year, and many companies have cut overtime.

Economic hopes are pinned on a recovery of consumer and business confidence and spending. Consumers are not burdened by heavy debts as are their counterparts in the US and Europe. Corporate liquidity, profits and capital investment plans are low only by the inflated standards of recent years.

The Long Term Credit Bank of Japan this week projected an 8.2 per cent decline in manufacturing investment in the fiscal year starting today. Nonetheless, in the larger service sector, investment is set to rise by 4.5 per cent.

On balance, this is not the picture of an economy on the verge of collapse. Economists at Salomon Brothers, the securities house, are more pessimistic than most observers; but even they project positive growth of 1.8 per cent in the coming fiscal year with no further fiscal stimulus. Should the government adopt a ¥5,000bn supplementary budget in the autumn, which it could afford, annual GNP growth would rise considerably faster than that.

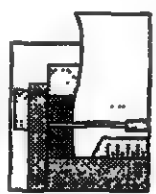
Whether growth stays above 1 per cent depends to a large extent on what the Japanese government and the central bank wish to achieve. Mr Mieno, with good reason, has chosen so far to stamp on inflation while risking slower economic growth. But the longer monetary policy remains tight, the greater the risk that he will push deflation too far. Mr Mieno and his colleagues in the government are likely to find that the dangers of a sharply slower economy are now far greater than any possible resurgence of inflation.

If Mr Mieno cuts interest rates today, as expected, he will have made the probability of a sharp contraction in the economy less likely. But a further easing of monetary and fiscal policy may well be needed before he, and his political masters, can be sure that the threat has disappeared.

## PERSONAL VIEW

### One, two pull together

By Sir Peter Parker



As election day approaches, the polls continue to suggest that a hung parliament in which all parties become minorities will be the most likely outcome.

This would mean that the result which may be most favoured by Financial Times readers, that of an overall Conservative majority, will not be on offer - and a Conservative government is the one with which the markets have traditionally felt most at home.

I do not favour a hung parliament, and I know that I am not alone in the ranks of industry and commerce in taking this view. However, in a situation where the electorate decides to deny any party overall power, it is incumbent on those of us engaged in wealth creation to think hard what would then be best for us. The preferred solution for short- and long-term benefits would be a stable coalition.

Consider the alternative. A hung parliament could result in chronic instability: a minority government trying to go it alone for a few months in a desperate bid to conjure legitimacy out of office rather than from the voters; a second election within months and continuing crippling uncertainty for markets, investment and consumer spending.

John Major has already noted that vital economic decisions, by companies and shoppers, are being postponed until after the election. That paralysis would become much worse with a second election continually just around the corner, and no assurance that even then the voters might not decide on a replay. The end of the recession would be further delayed with damaging consequences for those companies hang-

ing on by their fingernails.

The temptations to play for time for a short period until the Queen can decently be asked for a second election are considerable in a system of government which Lord Hailsham described as an "elective dictatorship".

I believe the markets fear this scenario most of all. Were the fear to spread, sterling could be put under great pressure. This, taken together with events in Germany and the unenviable rise in the UK public sector borrowing requirement, could force an interest rate increase. A minority government might find that such an increase becomes an indispensable hostage to be given to uncertainty.

But a hung parliament does not have to result in such a vicious circle of instability and uncertainty. Political leaders could behave with decent humility in the face of the fact that the electorate has decided not to trust them with unfettered power. They could act responsibly as their counterparts do throughout continental Europe and resolve to create stability by sharing power. This may be difficult in an adversarial political culture after a bitter election, but it is not impossible.

A stable partnership government or coalition, working to an agreed programme over a period of say, four years could offer an attractive climate for business and personal investment. The more excessive policies of the senior partner, for instance Labour's high marginal tax rates and its minimum wage, or the Conservative refusal to invest adequately in education and training, could be reversed. There would be less legislation, and what there was would be of higher quality.

Nothing can remove the difficulties of governing in a complex modern society but at least such a part-

nership government would have the authority of most of the electorate behind it, and could avoid follies such as the poll tax which resulted from an exercise of power without formal limits.

The natural junior partners in such an election are the Liberal Democrats, who seem likely to emerge from the election with Paddy Ashdown's authority enhanced, more than one fifth of the vote and more than 20 seats.

Proportional representation - the Lib Dems condition for participation in a partnership government - would have a special advantage. It would open the door to a moderation of our democracy, making Westminster and Whitehall more like our best companies: open, communicative and capable of getting the best out of people rather than being closed, secretive and ultimately incompetent. Many business leaders have supported the introduction of PR, including the Confederation of British Industry. Confidence just before the government came to office. What they seek is the stability which comes from governments being forced to listen and to adopt evolutionary rather than revolutionary change.

So when we ponder our response to a hung parliament let us remember that what happens afterwards depends on the politicians, and on the pressure the public puts on them. They could choose confusion and instability, and we would all pay the price; or they could settle down to make parliament viable and stable good government possible. I have no doubt which would be best for business, and ultimately for all of us.

The author is chairman of Mitsubishi Electric (UK). He was chairman of British Rail from 1976-83 and is a Liberal Democrat supporter.

Edward de Bono  
"Is a hole defined by what is there  
or by what is not there?"

### IS THERE A HOLE IN MANAGEMENT THINKING?

#### TOO LATE:

There are only four places left on the very special Advanced Course in lateral thinking to be held on the private island of Tessera in Venice, May 11/14. This course will include new material not available in any other seminar, books etc. Fax immediately to Karen O'Donnell, MCE, Brussels. 32 2 278 2245

#### ALMOST TOO LATE:

Edward de Bono's seminar on **SERIOUS CREATIVITY** for senior management will be held in Frankfurt June 1/2. More and more senior executives from all over Europe are realising that serious creativity is no longer a luxury. Over 17 nations were represented at the last seminar in Paris. Fax to Karen O'Donnell, MCE, Brussels. 32 2 278 2245

#### NOT TOO LATE:

A select band of unusual executives have become subscribers to the **LETTER TO THINKING MANAGERS** written by Edward de Bono and Robert Heller. This is a direct and personal letter which helps to keep the thinking of executives tuned up to deal with such matters as 'surpension' (title of Edward de Bono's latest book recently published in New York). Fax to Robert Heller 44 (0) 81 348 6733



Edward Mortimer

# Islam and integration



FOREIGN AFFAIRS

No one seems to know exactly how many Moslems there are in Britain. Probably not more than 1m, but they are unevenly spread. In Birmingham, they make up 10 per cent of the population. Yet even Birmingham will not have a single Moslem MP in the next parliament. No political party in this election has adopted a Moslem candidate for a winnable seat.

Stop, stop. Don't turn the page. This is indeed the Foreign Affairs column. But the subject of Moslem communities in western countries is, *par excellence*, one where foreign and domestic affairs overlap. This became clear over last weekend during a fascinating conference on the subject at Ditchley Park, the international affairs seminar centre.

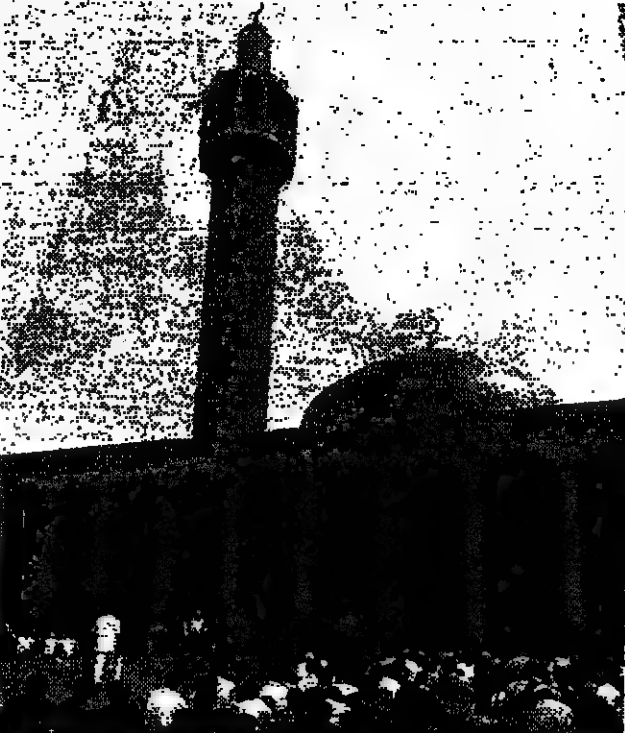
The existence of such communities is a relatively recent phenomenon, going back only a generation or so. Their members, even when born in and citizens of their present country of residence, are still generally perceived by the rest of the population as "immigrants". Moreover, they belong, for the most part, to ethnic groups which are easily distinguishable from the majority population by their physical appearance. One of the unresolved questions is whether they should not be classified as ethnic or religious minorities. It was argued, especially by French participants, that to insist on their Moslem character tends to reinforce their ethnic separateness - to force them into a ghetto - by superimposing on them a largely artificial religious identity.

Only 6 per cent of Arabs in France, it was claimed, regularly attend mosques. If asked, they will not doubt identify themselves as Moslems, but they should not be asked, in fact, the French census carefully avoids asking such questions. One French specialist even asserted that in order to integrate these people into French society, it was necessary to "disintegrate" their separate communal identities. They should be treated just as Jews were in the French Revolution, according to the formula of Clermont-Tonnerre: "All rights for the Jews as individuals, nothing for them as a nation".

One might think that an individual schoolgirl would have the right to wear a headscarf at school if she (or her parents) so chose. Not so. This, we learned, was not an individual gesture. It was a deliberate challenge to the authorities by an organised group seeking to claim leadership of the "Moslem" community and to oblige the state to negotiate with it. Had one girl been allowed to wear the headscarf, others would have followed the fashion, and it would have become a badge of ethnic identity, marking off the Moslems from their fellow citizens. As it was, the state stood firm and the mass of the Arab population accepted its decision.

There spoke in *république une et indivisible*. We Anglo-Saxons listened, and gulped. Most of us felt that, for once, we had managed this matter better in England. Here, after all, we have never fully separated religion from the state. We have an established church, which, once again, in the days of the 17th-century theologian Richard Hooker, to include "every man that is of the common weal", but which long since came to terms with the fact that it has to co-exist with other religious communities and to share with them, even if unequally and grudgingly, the goods that the state has to offer. Thus there is no absolute distinction between church, schools and state schools. They overlap in the category of "voluntary aided schools", which have an explicit denominational character, yet are financed almost entirely from public funds. Most are Anglican, but Roman Catholic, Methodist and even Jewish ones can be found.

Western societies are divided over their relationship with their Moslem communities



Worshippers at the mosque in London's Regent Park

So why not Moslem ones? Faced with this question, the English consensus quickly broke up. Some of us began to think the French had a point after all. Remembering the divisive effects of separate denominational schools in Northern Ireland, we shrank from encouraging Moslems to educate their children separately. We even wondered about their reasons for wishing to do so. Was it not to maintain the control of men over women, and of self-proclaimed religious leaders over "the community" as a whole? Certainly they were entitled to equal treatment but perhaps, in the name of equality, it would be better to do away with church schools, or at least to force them into the private sector. (The French, we were told, had been prepared in the name of equality to forbid Jewish boys to wear skullcaps at school, although previously this had not been an issue.) Let the state school be a melting-pot à l'américaine, in which different cultures can be fused into something uniquely and splendidly British.

At this point, however, our American colleagues deserted us. The melting-pot, they said, had long since been abandoned. Different cultures should not be forcibly merged,

but cherished as something that "enriched" a pluralist society. Admittedly, church and state are legally separate in the US, and therefore there are no state-funded church schools. But at one time there had been a serious question whether Catholic schools, in which a doctrine then seen as hostile to democracy would be taught, should be allowed in America at all. In the end they had been, and had proved to be, a great civilising and democratising influence. If Britain wished to integrate its Moslem citizens, it should show similar confidence, allowing them to take charge of their own children's education provided they accepted the national curriculum and educational standards set by the state.

On the whole I was convinced by this argument. We are unlikely to achieve a real *melting-pot* between Moslems and non-Moslems if we continue to describe Islam as a problem. Of course, Moslems do have problems, and not all of them are of the west's making (although some are). Moslems have a lot of work to do in interpreting their own religion and applying it to the life of a modern democratic society in which the majority of their fellow citizens follow other faiths or none. They are certainly not helped by being associated, in the minds of those fellow citizens, with unpleasant foreign regimes which issue death sentences against British novelists, or with groups which blow up aircraft and take hostages.

Such events arise either from disputes among Moslems or as a reaction to western interventions in the Islamic world, but non-Moslems tend to see them as part of a grand Islamic design to attack the west. There is no such design, nor even any Islamic leadership capable of conceiving one. The Moslem community is already quite sufficiently disintegrated, in fact too much so. Greater integration among Moslems could help rather than hinder their integration into a pluralist western society.

Western states will not achieve that by identifying or imposing a religious leadership and making it responsible for the Moslem community, as was the practice of some Moslem states in the past when dealing with non-Moslem minorities. But political parties and other institutions might help if they made a greater effort to involve individual Moslems, and promote them to positions of responsibility. Young Moslem activists in Britain, we were told, felt "empowered" by Ayatollah Khomeini's *fatwas* against Salman Rushdie because for the first time they forced British society to pay attention to their views. There must be better ways for Moslems to win attention and a share of power than that.

## OBSERVER

### Defence on the offensive

Volker Rühe's elevation to German defence minister may have come a little late for his good friend Chris Patten. For Rühe, a former English teacher who was to be seen last week campaigning in the Conservative party chairman's wobbly home seat of Bath, will be of little use to Patten in the event of an April 9 upset.

Nearer to home, the secretary-general of Helmut Kohl's Christian Democrats, who has garnered a reputation for ruthless political fighting, may be making foreign minister Helmut Genscher turn sour for quite a different reason.

Rühe has made little secret of the fact that he is after the job Genscher has had since 1974; he loses few opportunities to snipe at his rival.

Making do with second-best for now by taking the poisoned chalice of defence - five previous incumbents, including Gerhard Stoltenberg, have had to resign prematurely - there is no doubt he will use the post in his campaign to clip Genscher's wings.

Ironically, it was probably Free Democrat party leader Genscher who whipped up the issue of German arms supplies to Turkey which has now toppled Stoltenberg. His reward is having to contend with Rühe across the cabinet table - in place of his affable but ineffectual predecessor.

### Screen betting

Let's hope that financial futures buffoon Compton Hellyer has more luck with his latest sporting venture than he had with his horse - Docklands Express - in the last Grand National. It fell at the first fence.

### Defence on the offensive

Hellyer, who is even madder about sport than about his beloved financial futures, has come up with a spitting wheeze to keep city dealers glued to their Reuters screens. He is backing a couple of young thrusters - Angus Hamilton, 25, and Richard Thomas, 27 - who have set up Sporting Index. Specialising in spread betting, which differs from fixed-odds betting in that it enables a punter to bet either way on a result or score, the new bookies will offer regular spread prices on all major sports. Prices will be carried on a page (Sp10) on the Reuters screen.

However, young Hamilton is looking at giving a price on Hellyer's Docklands Express in Saturday's Grand National. Whoever heard of a bookie worried about conflicts of interest?

### PJ on board

Guess what? Guinness Peat Aviation, the world's largest aircraft leasing company, has added yet another well-connected politico to its pay roll. Not content with signing up such heavyweight names as Nigel Lawson, Garret Fitzgerald, and Peter Sutherland, GPA founder Tony Ryan has just hired Charlie Haughey's old pal man - PJ Mara - as his new media relations adviser.

As Haughey's press secretary for the past five years, Mara played a key role in Haughey's surprisingly long existence as Ireland's prime minister. However, even his legendary skills were not enough to prevent Haughey being forced out of office following a mounting series of financial and political scandals.

PJ, as he likes to be known, is the consummate spin-doctor. He managed to keep his boss one step ahead of the baying hounds of the press corps.



putting them off the scent with humorous, in-depth, off-the-record briefings, and even in Haughey's darkest hours managed to maintain a sense of *bonhomie* between his government and the fourth estate. He proudly recalls by saying "I never told a lie".

Nevertheless, it's a strange appointment. A bit like putting Sir Bernard Ingham, Mrs Thatcher's old mouthpiece, in charge of British Airways' public relations.

### Last man off

Still on the subject of where are they now, I see that Peter Lucas has finally abandoned the board of Bond Corporation, Alan Bond's old flagship.

Lucas, a lawyer, first joined Bond Corporation in 1971. Although he had a long spell off the board between 1978 and 1985, he was one of the loyal lieutenants who followed the great deal-maker around the world picking up the pieces. However, he shot to prominence when he took over as chairman following Bond's resignation in September 1990. His job was to calm the

company's creditors, and the anxious Australian regulators, while a debt-for-equity swap was arranged with bondholders owed more than A\$1bn. It was his emollient approach, more than Bond's posturing, which kept the group afloat long enough for the scheme to be put in place.

His departure removes the last link with Bond Corp's happier days. Bond himself faces both criminal charges and bankruptcy proceedings, and Peter Beckwith, his former right-hand man, died two years ago. Lucas's office says there was "nothing sinister or sensational" about his departure. He probably has nothing left to do.

### Yogi Park

If the Maharishi Mahesh Yogi's Natural Law Party fails to win a seat in Britain's general election, his transcendental meditating supporters can at least look forward to a break in their very own theme park, soon to be built - barring acts of God, presumably - on the banks of Niagara Falls.

Well-founded reports suggest that the Yogi is teaming up with a Canadian magician, Doug Henning, to construct a 1,400-acre theme park, costing C\$600m and ready to open in three years' time.

The main promise of the park is to provide "enlightenment, knowledge and entertainment", though with a planned 6m visitors annually and an entrance fee of some \$20, more mercenary motives might be suspected. Today the House of Commons, tomorrow the White House?

### Sunk

What's the difference between a buffalo and a bison? You can't wash in a buffalo.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

### FT-SE 100 will remain UK-based

From Mr Peter Jones.

Sir, The impending floatation of GPA Group has publicly raised the issue of whether Irish Republic companies should be included in the FT-SE 100 Index. The Index Steering Committee (which was set up by the London Stock Exchange as an independent body comprised of investment practitioners to oversee the running of the FT-SE 100), recently confirmed long-standing practice that the rules should continue specifically to exclude non-UK companies, so Irish companies such as GPA Group, Jefferson Smurfit and Allied Irish Banks will not be included in the index.

The principle rule being questioned by Irish companies is that the FT-SE 100 should consist only of "companies incorporated and registered for tax purposes in the UK". The Irish companies' intention is clear - they wish to improve the marketability and value of their shares and believe that entry to the FT-SE 100 will achieve this.

Yet the FT-SE 100 was specifically, and very deliberately, designed to be an indicator of the performance of the UK market. The change of rules needed to allow non-UK companies to enter the index - whether Irish, American or Japanese - would be a fundamental change to the design of the index.

The FT-SE 100 measures the performance of the UK's largest 100 companies and is widely used by portfolio managers worldwide in measuring the performance of their UK assets and in managing their portfolio risks using futures and traded options on the index. It is not the only UK index - it is widely used in conjunction with the FT-All Share Index which represents the performance of a larger proportion of the UK market. Both indices are focused on the UK market and neither index includes Irish companies.

Neither index does so because they are used by portfolio managers to monitor their UK sterling denominated funds. Portfolio managers do

### Many in US fear the prospect of trade 'free riders'

From Ms Margaret S Wigglesworth.

Sir, Your recent coverage of US initiatives in the Gatt services negotiations has left many of us here in America wondering aloud whether our years of vocal support for liberalised trade have been heard.

The US service sector remains a steadfast supporter of the Uruguay Round negotiations, and has never wavered from its goal of a strong multilateral agreement that assures markets will be open for service providers to compete on a fair and equitable basis.

Under the structure of the services agreement contained in the so-called draft "Final Act", the degree to which it assures open markets depends on the commitments inscribed in the contracting parties' schedules. The services agreement, unlike the Gatt itself, does not assure national treatment or end quantitative restrictions, and does not even presume that foreign providers have a right to compete in other markets. Market access commitments offered by individual countries are the only means of securing these and other trade liberalising results.

Compared with the markets of many other countries, the US is largely open for business. Commitments to match our openness in services have not been forthcoming, and we are faced with the prospect of what is referred to here as a "free

not include Irish companies in their UK funds and they will not slavishly follow the decisions of the steering committee in deciding which stocks to hold in such portfolios. Most institutional users of the FT-SE 100 are not passive index trackers but are either active fund managers focused on the largest UK securities or are trackers of the wider based FT-All Share Index.

What use is the FT-SE 100 with overseas additions (Irish or any other) to a portfolio manager wishing to measure the performance of the largest

companies within their UK fund or who wishes to use the FT-SE 100 futures and options to hedge his UK position? All other major indices make a clear distinction between UK and Irish companies - even so far as to group Irish companies with continental Europe rather than the UK when calculating the performance of the two major blocs within Europe; namely, UK and Europe excluding UK.

While the committee understands the motives and the intentions of Irish companies wishing to be included in the

FT-SE 100, it has no intention of turning the FT-SE 100 into a UK index with selected international additions.

Peter Jones, chairman, FT-SE 100 Steering Committee, Stock Exchange, London EC2

FT-SE 100, it has no intention of turning the FT-SE 100 into a UK index with selected international additions.

Peter Jones, chairman, FT-SE 100 Steering Committee, Stock Exchange, London EC2

### Mythology of NHS

From Mr John Booth.

Sir, Is it not possible finally to dispel the mythology of National Health Service deficit funding?

From 1946, through Bevan as minister of health, the Labour government implemented the report on Social Insurance & Allied Services by W H Beveridge, Cmnd 6404 1942. In paragraph 27, the post-war inflation rate was determined at plus 25 per cent on 1938 prices. The actual increase was made at 31 per cent (held at the cost of living above pre-war).

The Beveridge increase was based on the 1914 Cost of Living Index, long outdated, and replaced in 1948. The subsequent Treasury review showed that, using the old 1914 index, 1946 prices were 54 per cent above pre-war. Ignoring the new (1948) index, the deficit has always been minus 33 per cent.

John Booth, 4a Lawn Road, Lymington, Hampshire SO41 8EG

### More in the cabinet

From Mr David Howell.

Sir, David Marsh's report, "True Blue shires" (March 28), is wrong. John Biffen is not the only member of Mrs Thatcher's 1979 cabinet standing for re-election.

What about Michael Heseltine and David Howell? Michael Jopling and Norman Fowler were also "invited to attend" the 1979 cabinet, although not full members at the outset.

David Howell, parliamentary candidate, Guildford constituency, 63 Woodbridge Road, Guildford, Surrey GU1 4RD







**OVERSEAS MOVING**  
BY MICHAEL GERSON  
081-446 1308

# FINANCIAL TIMES COMPANIES & MARKETS

Wednesday April 1 1992

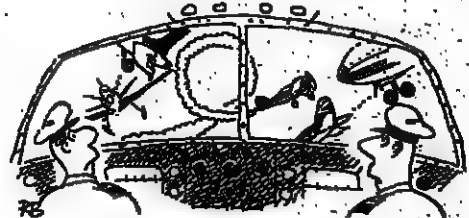
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## INSIDE

### Moody's cuts ratings on Japanese banks

Moody's Investor Service, the US credit rating agency, yesterday lowered credit ratings of four Japanese banks. The move comes at a time when bad loans are increasing sharply at Japanese financial institutions because of the declines in the stock and property markets. Page 22

### More de-regulation in the skies



When Australia's prime minister Mr Paul Keating announced plans to create a common aviation market in Australia and New Zealand, it was seen as a revolutionary step offering something to everyone. However, the plan has only added further pressure to an industry besieged by two years of economic recession and a bitter fares war sparked by deregulation. Page 24

### Nestlé plays waiting game

Nestlé may have won the takeover battle for France's Source Perrier, the world's largest mineral water company, but the Swiss food group faces as much as four more months of uncertainty while European Commission competition authorities decide how much of its prize it may keep. Page 25

### Micros keep track of trucks

It can't be often that a company invests \$2.5m and immediately covers the cost. But that happened when American Barick Resources, the Canadian gold mining group, bought a computer-based truck dispatch system for its Goldstrike gold mine in Nevada. The concept is simple: to link microcomputers on trucks through a radio network to a central computer. But it is far from easy to put the concept into effect and one company, Modular Mining of Tucson, Arizona, seems to have a monopoly. Page 30

### Two steps forward, one back...

The recovery in the Helsinki stock market this year has been more apparent than real. The gains took place after a long period of decline and, for foreign investors, they were almost wiped out by the devaluation of the markka last November. Back Page

### Croda profits fall to £21m

Croda International, the UK chemicals group, yesterday reported a fall in pre-tax profits for the year to end-December from £37.7m to £21.3m (\$66.8m). Sales were down 4 per cent at £220.9m. Page 27

### Market Statistics

Base lending rate	3%	London traded options	28
Benchmark Govt bonds	2%	London traded futures	28
FT-100 index	3,100	Managed fund services	34-38
FT-1000 index	3,100	Money markets	38
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FT-1000000 index	3,100	World stock index	38
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FT-100000000 index	3,100		

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ANZ	21	Hawthorn Leslie	21
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### Chief price changes yesterday

FRANKFURT (DM)		Stemmer-Albert	1339	+ 34
Wieser	885	Talbot	3073	+ 38
Adia	884	Union Invest	489	+ 14.9
Douglas Idag	259	Falke	340	- 8
FT 1000	331.5	Hachette	150	- 0.3
Industrie Wk	311.5			
Lammyer	816			
Volkswagen Pk	214.5			
NEW YORK (\$)				
Rieser	3			
Comet	2 1/4			
Don Pac	2 1/4			
Falke	2 1/4			
Dane Savings	34 1/4			
Forchman	18 1/4			
TIC	13 1/2			
PARIS (FFr)				
Rieser	634			
Rudolph	634			
NEW YORK prices at 12:30				

LONDON (Pence)		Barclays Bk.	307	- 10
Stemmer-Albert	36	Buckingham	6	- 3
Adia	163	Kingfisher	471	- 12
Douglas Idag	259	Lammyer	80 1/2	- 13 1/2
FT 1000	230	MTM	58	- 8
Industrie Wk	1401	Norden & P.	158	- 8
Lammyer	174	Speyhawk	21 1/2	- 8 1/2
Watts Glasse Beamie	214	Stemmer-Albert	32	- 5
Alcon	513			

German steel group overcomes falling prices and weak demand in last year before its flotation

## Krupp net earnings increase to DM300m

By Christopher Parkes  
in Hanover

KRUPP, the German steel and engineering group, reported a strong performance in its last full year before flotation this summer.

In spite of the pressures of recession overseas and stagnation in domestic markets, the Essen-based company increased net earnings to DM300m (\$182m) from DM217m last year, Mr Gerhard Cromme, chairman, said yesterday.

Hoesch, which will shortly be taken over by Krupp, fared less well. Yesterday, it reported falling profits and announced plans for 2,800 job cuts this year, following last year's reduction of 2,500.

Meanwhile, Mr Heinz Kriwet, chairman of Thyssen, Germany's biggest steelmaker, said economic conditions had worsened since last year.

Sales at Thyssen in the five months to the end of February had risen 1 per cent to around DM15bn, but profits had contin-

ued to fall. "We can see no signs of improvement. The German economy is stagnating and we may be at the start of a recession," he said.

Thyssen was preparing for "stormy weather ahead", and recovery might take longer than expected, Mr Kriwet said.

Sales at the three groups stagnated or showed minimum growth in 1991. Turnover at Krupp rose just 2 per cent. At Hoesch it was unchanged at DM12.6bn, according to Mr Eajo Neukirchen, chairman. He said

his company had a satisfactory year.

Thyssen's figures, published two weeks ago, showed a 1 per cent rise to DM36.5bn. The main causes were falling steel prices and fading demand in Germany and abroad, the three chairmen agreed.

According to Mr Cromme, after-tax profits at Fried. Krupp, the core operating business in the Krupp group, rose DM90m to DM200m, allowing it to wipe out losses carried forward and post an unappropriated profit un-

officially estimated at DM50m.

Krupp Stahl, the steel subsidiary, held its ground in difficult conditions. Results matched those of 1990, Mr Cromme said, hinting at a further dividend payment.

Krupp Stahl, the only quoted part of the group, last year paid its first dividend - DM6 - for 15 years. Mr Cromme also upgraded estimates of the benefits of the impending takeover of Hoesch. He said the long-term "positive effect" on results would be about DM500m a year.

In the shorter term, however, he warned of "suitable counter-measures" needed to cope with the current downturn. "The world economic setting in 1992 is much more difficult than last year," he said.

The takeover of Hoesch is expected to be completed in July, in spite of an unexpected dispute with the federal cartel office in Berlin.

The office is understood to be concerned that the merger will give the enlarged group too big a share in the springs market.

## Speyhawk starts restructuring debts after £217m loss

By Vanessa Houkier,  
Property Correspondent

SPEYHAWK, the UK property developer, yesterday underlined the severity of the UK's worst commercial property decline for more than 50 years by announcing a £218.8m (\$375m) annual loss and the restructuring of more than £200m in debts.

After announcements of re-financing by Olympia & York and Heron International, Speyhawk's

plight provides a further illustration of a slump which has wiped more than a quarter of the value off UK commercial property since the market's peak in 1989.

Speyhawk, which has debts of £303m, is technically insolvent as its liabilities exceed its assets by £70m. However, its 46 banks, led by Barclays and Citibank, have agreed to restructure debts and provide it with working capital over a four-year period.

The announcement sent Spey-

hawk's shares down from 11p to 2 1/2p. City of London analysts had long expected heavy losses from the company, which had been talking to its banks since last August.

Speyhawk has been severely hit by the property crash since it does not have rental income to cushion it from its interest costs. It relies on selling the properties it builds, but it has been hit by the shortage of demand from investors and tenants.

It has a high exposure to the City of London, which is the worst-hit property market in the country. More than half the £205m provisions Speyhawk made against its properties are due to two City buildings, Cannon Bridge and Exchequer Court.

Its development sites also suffered heavy write-downs, to as little as 20 per cent of their former values.

The problems of companies

like Speyhawk stem from the coincidence of the recession, which has cut demand for property, and an unprecedented amount of new building. The development surge resulted from a relaxation of planning controls, demand for technically improved buildings and a large increase in bank lending for commercial property, which was a record £40bn last year.

Mr Trevor Osborne, chairman of Speyhawk and president of the

British Property Federation, said the experience had been "chastening". But he thought there would be no need for further write-downs and the company's properties would increase in value over the next few years.

Turnover decreased by 71 per cent to £76.4m in the year to September 30 1991, against £262.5m a year earlier. The loss per share was £28.7p, after a loss of £7.5p last year. Lex, Page 20

Alice Rawsthorn charts a French flirtation which ended with heartbreak and debt

## Hachette cuts its losses over La Cinq

WHEN Mr Jean-Luc Lagardère posed, sun-tanned and smiling, for the French press outside La Cinq's headquarters in October 1990, he was celebrating the end of a lengthy struggle to take Hachette, his publishing and printing group, into television.

The memory of those celebrations must seem, at best, bitter-sweet to Hachette's chairman. La Cinq, which earlier this year filed for bankruptcy, will on Friday be sold by a Paris court if it is to close. Hachette's flirtation with television has lasted less than 18 months and could cost up to FF3.55bn (\$630m). It might also mean that Mr Lagardère and his family lose control of Hachette, one of Europe's prominent media empires.

The La Cinq crisis has come at the worst possible time for Hachette, which is burdened by heavy debts after its over-ambitious acquisitions in the US.

On Monday Hachette announced that, after totting up last year's losses on La Cinq, it was asking its banks for a fresh injection of capital to restructure its finances.

Hachette has to make provisions of up to FF1.8bn for La Cinq in its 1991 accounts. This follows a provision of FF1.7bn in 1990 bringing the total bill for its brief investment in television to FF3.55bn. But the 1991 provision takes Hachette's net debt to an estimated FF3.8bn - against equity of just FF1.2bn.

It remains to be seen what form the financial restructuring will take: how much money the banks, which include Crédit Lyonnais and Banque Nationale de Paris, will agree to give; and whether the Lagardère family interests can hold on to their 51 per cent of Hachette.

In the meantime Mr Lagardère is proceeding with the plan he announced to a startled Paris stock market earlier this year, to merge Hachette with Matra, the electronics company which is also controlled by the Lagardère family.

"The merger with Matra looks more and more like a rescue for

Hachette," said one media analyst. "The chickens are really coming home to roost at Hachette. We will soon find out whether there are a few vultures among them."

Until the La Cinq debacle, Hachette was seen as an ambitious, but far from reckless media group which was expanding beyond its original base in France notably by launching Elle, its successful fashion magazine, into other countries.

Mr Lagardère can hardly complain he was not warned about the pitfalls of investing in television. No fewer than three government ministers told him to steer clear of La Cinq which had been struggling to establish itself as France's fifth channel since its launch in 1988.

But Mr Lagardère, still smarting at being beaten by the Bouygues construction group in the 1987 privatisation bid for TFI, the biggest French channel, was anxious to take Hachette into television. When the opportunity arose to invest in La Cinq in autumn 1989, he leapt at it.

La Cinq had then already lost almost FF2.5bn. Its losses have since escalated. By late last year the situation was critical. On New Year's Eve Hachette, having tried and failed to find new investors, announced the station was filing for bankruptcy.

No one, not even Mr Lagardère, knows the final cost of La Cinq to Hachette. It is still in negotiations over possible compensation for the investors, notably Kleinwort Benson, the British bank, that it brought into the station in 1990. But the putative provision of FF1.8bn for 1991 is believed to be the highest possible figure, enabling Hachette to begin 1992 with a clean sheet.

La Cinq may be the immediate cause of Hachette's predicament, but it is not the only problem. Hachette is also encumbered by the debts amassed in its acquisitions of the late 1980s and by the difficulty of integrating its new interests. It has been left with net debt of around FF8bn mainly because of the purchase of two US companies - Grolier encyclopedias and Diamond magazines - for a total of \$1.15bn (\$670m) in late 1988. Unluckily for Hachette it did the deals on the eve of the US recession and the consequent slump in the publishing sector.

The new acquisitions not only performed less well than Hachette had expected (the US companies covered their financial costs for the first time in 1991), but it was also hampered in its attempts to reduce its debts by making disposals, not only in the US but in other countries.

Hachette did sell the Nouvelles Messageries building in central Paris for FF2.78bn in 1990 and sold some printing businesses last year. But its 8.1 per cent stake in Rizzoli, the Italian publisher, is still on the block as is its landmark building on Paris' Boulevard Saint Germain.

"This is a very hard time to be

making disposals," said Mr Jean Jacques Limagne, media analyst at James Capel in Paris. "The publishing and property markets are both depressed. Hachette is finding it difficult to get good prices."

It is difficult to calculate the full impact of these problems on Hachette given it has had little contact with analysts for the past year. However Hachette posted a net loss of FF30m in the first half of 1991 and is expected to report another loss, possibly as high as FF1bn, for the full year in its results next month.



Jean-Luc Lagardère: No fewer than three ministers told him to steer clear of La Cinq

making disposals," said Mr Jean Jacques Limagne, media analyst at James Capel in Paris. "The publishing and property markets are both depressed. Hachette is finding it difficult to get good prices."

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In the meantime Hachette, like the rest of the French media, is waiting anxiously for Friday when a Paris court decides whether to pull the plug on La Cinq. If it does, a blank screen will take the place of France's ill-fated fifth channel.

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## Fondriaria cements AMB link

By Nigel Simonian in Milan

FONDRIARIA, the leading Italian insurance group, is spending DM562m (\$340m) to buy a 14.2 per cent stake in Assicurazioni Generali (AGF), Germany's second largest insurer, in a move further cementing links between the two companies.

The deal, which raises Fondriaria's share in AGF to 30 per cent, will reinforce the Italian group's growing foreign activities and may help AGF to resist the so far unwanted advances of Assicurazioni Generali de France (AGF), the powerful French state-owned insurer, which owns just over 25 per cent of AGF.

AMB and AGF have been locked in a battle of wits over the French group's desire to gain a significant minority stake. AMB has so far registered vot-

ing rights for only 9 per cent of AGF's holding and made clear it regarded AGF's share purchases as unfriendly.

Fondriaria is already associated with AMB and Royal Insurance of the UK in a recently-established tripartite alliance, European Partners for Insurance Co-operation (EPIC), designed to develop joint European insurance ventures.

The Italian group had an option on an 18.8 per cent stake in AMB formerly held by Royal, which was sold to Crédit Suisse late last year. That option expired yesterday, explaining the timing of the latest announcement.

Last January, Fondriaria sold to AMB, for DM600m, its 25 per cent stake in Volksfürsorge, the former German trade-union owned life insurer, in which it had origi-

nally invested jointly with AMB. The move provoked speculation that Fondriaria could use the proceeds to exercise the option to buy into AMB - as has now happened.

However, Fondriaria has bought only 14.2 per cent of the 18.8 per cent stake on which it had an option. Fondriaria said the company had not exercised its option for the full amount because AMB management wanted it to restrict its overall stake to 20 per cent. It is believed the remaining 4.6 per cent stake not taken up by Fondriaria has been placed with unidentified institutional investors.

Separately, as part of a complex internal reorganisation, Fondriaria has sold to Ladma, the Italian insurer it bought last year, 85 per cent of Fondriaria Deutschland, the subsidiary which currently holds the AMB stake.



## INTERNATIONAL COMPANIES AND FINANCE

## Philips &amp; Drew quits as Lonrho stockbroker

By Roland Rudd and Robert Peston

Lonrho's share price yesterday fell 13 1/4 p to close at 55 1/4 p, its lowest since January 1984, as Philips & Drew Securities confirmed it was resigning as Lonrho's joint stockbroker in protest at the international trading conglomerate's lack of consultation over its big deals.

Philips & Drew, the main market-maker in Lonrho shares, was particularly irritated by the group's failure to tell it of its decision to sell one-third of its holding in Metropole Hotels to the Libyans for £17m.

Meanwhile, banks with big loans to Lonrho, led by Barclays, Standard Chartered and Lloyds, have become anxious that banks with smaller Lonrho loans might attempt to reduce their exposure.

The big banks are not keen to increase their loans to Lonrho to replace any bank facilities that could be withdrawn. Barclays has the biggest lending exposure to Lonrho.

Société Générale Strauss Turnball is to continue to act for the company as sole broker. *Lex, Page 20*

## Gemina earnings improve to £131bn

By Haig Simonian in Milan

GEMINA, the Italian investment and financial services group controlled by Fiat, raised pre-tax parent company profits for the first half of its 1991-92 financial year to £30.8bn (\$34.85m) from £23.2bn last time.

However, consolidated pre-tax earnings in the six months to December 31 fell to £130.9bn from £142.5bn.

Gemina forecast that parent company earnings this financial year would be in line with those in 1990-91.

The book value of its holdings rose by £339.8bn to £1,494bn, largely because of rights issues at RCS Editori and Fila, two companies under Gemina's control.

## SAS lifts stake in British Midland parent to 40%

By Paul Betts, Aerospace Correspondent

SCANDINAVIAN Airlines System (SAS) is cementing its ties with British Midland by increasing its stake in the UK carrier's parent company, Airlines of Britain Holding, from 34.9 per cent to 40 per cent.

The deal, worth £25m (\$43.35m), follows recent approaches by other airlines interested in acquiring a stake in the UK carrier because of its strong position at London's Heathrow airport.

Sir Michael Bishop, chairman of the UK group which owns Manx Airlines and Loganair as well as British Midland, said yesterday he had been approached by several airlines since the UK government abolished the Heathrow

traffic distribution rules last year and opened the airport to new entrants.

British Midland controls about 15 per cent of the take-off and landing times, or "slots", at Heathrow, the world's biggest international passenger airport. International airlines, which had been barred from using Heathrow under the old traffic rules, have been anxious to expand their operations at the airport by securing slots.

However, Sir Michael said his company was keen to strengthen its links with SAS because of successful co-operation between the two airlines during the last three years. "We reported to SAS the interest other companies were expressing, but we also made it

clear we wanted to maintain a long-term relationship with SAS," he said.

British Midland has recently negotiated ticketing and co-operation agreements with other carriers, including United Airlines, South African Airways, Qantas and Air Canada. The Scandinavian airline acquired its initial 34.9 per cent stake in the UK group for £25m in 1988.

The Civil Aviation Authority is not expected to object to the increased SAS shareholding; control of British Midland remains with UK nationals.

Mr Jan Carlzon, chief executive of SAS, said the latest £25m investment strengthened his airline's strategic position in the UK, the most important market outside Scandinavia. Australian airlines, Page 24

## Ratings lowered at four banks in Japan

By Emiko Terazono in Tokyo

MOODY'S, the US credit rating agency, yesterday lowered ratings of four Japanese banks.

The move comes at a time when the balance of bad loans is increasing sharply at Japanese financial institutions.

Their problems are traced back to the late 1980s, when loose credit controls allowed banks to lend to land and stock speculators. Increasing concern over deteriorating asset quality at the banks has led to banking shares being sold off heavily in recent weeks.

Long and short-term ratings of Mitsui Trust and Banking were lowered to A3 and P-3 respectively. Moody's said the downgrading reflected concerns over Mitsui Trust's long-term profitability.

Mitsui Trust is currently involved in the restructuring of troubled real estate-related companies. Moody's also cited the bank's exposure to non-bank financial institutions as a significant concern.

Moody's lowered Tokai Bank's long-term credit ratings from Aa3 to A1. It said Tokai's commitment to aid Central Finance, a leasing affiliate which was involved in a series of loan scandals, would squeeze the bank's profits.

The Bank of Tokyo saw its long-term ratings lowered from Aa2 to Aa3 on concerns over deterioration of domestic and overseas assets, and expectations of a profits squeeze due to financial deregulation.

Although the bank has little direct exposure to the domestic property sector, Moody's said loans made to real estate and non-bank financial institutions through affiliates were putting pressure on the bank's asset quality.

The credit agency lowered the short-term credit rating for Hokuriku Bank, a regional bank, to P-2. Hokuriku is a leading creditor of Nanatomi, the property company which filed for bankruptcy last year with debts totalling ¥300bn (\$2.3bn).

## Bull stems losses to FF3.3bn

By Alice Rawsthorn in Paris

GRUPE BULL, France's state-controlled computer group which recently concluded an alliance with IBM of the US, managed to reduce its losses from FF8.79bn in 1990 to FF3.3bn (\$589m) in 1991 despite the intense competition in the international computer industry.

Mr Francis Lorentz, Bull's chairman, attributed the improvement to the radical restructuring programme implemented by Bull last year.

This programme, which involved overhauling products and cutting the worldwide workforce by 9,000 people, or 19 per cent, in 1991 was designed to cut costs and improve efficiency.

However, Mr Lorentz warned that Bull anticipated another tough year in 1992. "We must redouble our efforts to adapt to a world market which is still in



Francis Lorentz: warns of another tough year

crisis and to return to profitability," he said.

Bull earlier this year restructured its debt by securing an international credit facility of \$1.1bn.

Bull sustained a fall in overall sales of 3.1 per cent from

FF34.6bn in 1990 to FF33.5bn in 1991. Its hardware sales are believed to have fallen - by 4 per cent in Europe and North America - for the first time.

The company managed to counter this with its cost-cutting programme which involved reducing its production plants from 13 to five as well as job losses.

The cost of restructuring was higher than originally expected. Bull was forced to make a provision of FF875m for restructuring in 1991 in addition to the provision of FF3.62bn made in its 1990 accounts.

The alliance with IBM, which involves the two companies swapping technical know-how, will lead to the US group investing \$100m in Bull for 5.7 per cent of its shares. NRC of Japan last year took 4.7 per cent of Bull in return for ceding its shares in the French company's US subsidiary.

## Gechem loss blamed on US push

By David Buchan in Brussels

GEICHEM, the Belgian chemical group and foam rubber maker, yesterday announced a 1991 loss of BF1.9bn (\$65m), largely as a result of ill-fated expansion in the US, and said it would pay no dividend. This compares with a BF1.29bn profit in 1990.

The loss was slightly greater than Gechem signalled last December when it announced it was abandoning control of Foamex LP in the US, and with it the ambition to be the world

leader in polyurethane foam rubber.

The news had little impact on the Brussels bourse, where Gechem ordinary shares closed 2 per cent down but its preference shares 1 per cent up.

Gechem's strategy is now to focus on Europe, where its foam-making division, Retical, recorded a before-tax profit of BF960m last year on turnover which increased by 3.2 per cent to BF28.8bn. This was partly due to recent acquisitions.

Gechem is still the target of law suits connected with the

now-bankrupt Belgian explosives company, PRB, which it sold to Astra of the UK.

Some of the former PRB management are suing it for alleged non-payment of redundancy monies, and the Belgian authorities are trying to make Gechem liable for cleaning up a former PRB explosives site. Gechem said yesterday it "remains confident the courts will find in its favour".

It said Gechem executives were voluntarily helping the UK Department of Industry's inquiry into Astra's affairs.

## Accor declines 5.6% to FF949m

By Alice Rawsthorn in Paris

ACCOR, the French hotels group which recently took over its competitor, Wagons-Lits, saw net profits fall by 5.6 per cent from FF1bn in 1990 to FF948.6m (\$169.3m) in 1991 because of the disruption caused by the Gulf war in the opening months of the year.

Last autumn, Accor fought a fierce battle to take over Wagons-Lits, a Franco-Belgian concern, in order to expand its presence in the European hotel market.

Accor had forecast net profits of FF900m for 1991. Its performance was slightly better than expected thanks to a good performance in Germany, Italy and Belgium during the second half.

Group turnover fell modestly from FF22.8bn in 1990 to FF22.4bn in 1991.

However, earnings per share declined by 13.3 per cent from FF60.96 in 1990 to FF54.15 in 1991 after a reduction in exceptional items from FF209.9m to FF182.5m.

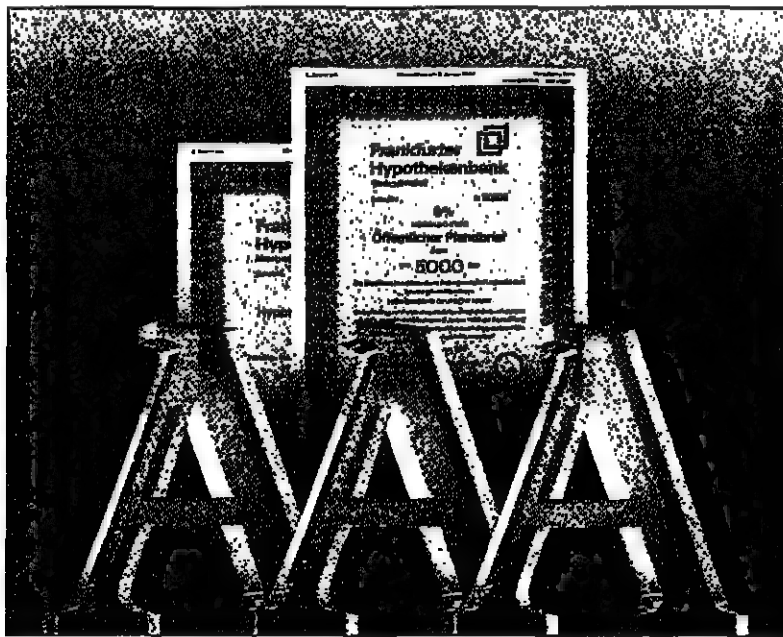
Nonetheless, the board pro-

posed raising the dividend from FF16 in 1990 to FF16 in 1991.

Gelegend, the French electrical equipment maker, should post 1992 profits at least stable at 1991 levels, and a rise of 7 per cent in turnover, said Mr Olivier Bazil, its financial director, Reuters reports.

Gelegend's 1991 results showed net attributable profit of FF703, compared with 1990's FF704m. The dividend increased 7.5 per cent to FF67.50, while turnover rose to FF9.95bn from FF9.24bn.

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Flotting Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 31st March 1992 to 30th June 1992 has been fixed at 10.1875% per annum. The interest payable on the relevant Interest Payment Date, 30th June 1992 will be FF2,575.17 per FF100,000 Note and FF257.52 per FF10,000 Note.

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## INTERNATIONAL COMPANIES AND FINANCE

Air Canada  
vows to prevent  
rivals' alliance

By Bernard Simon in Toronto

THE fight for survival between Canada's two leading airlines has intensified with a vow by Air Canada to use every weapon at its disposal to block an alliance between Canadian Airlines International and American Airlines, based in Dallas.

Mr. Hollis Harris, Air Canada's newly-appointed chief executive, said the Montreal-based airline would lodge a strong protest with the federal government against its rival's proposed deal, which is at an advanced stage of negotiation. In addition, Air Canada has demanded immediate access to the lucrative trans-Pacific route to Japan currently reserved for Canadian. Air Canada also wants to be allocated half of Canadian's slots at Japanese airports. American Airlines has proposed acquiring a minority equity stake in Canadian and forging a comprehensive operating alliance.

Mr. Harris said that, provided American is willing to limit its equity stake to 25 per cent, the argument that neither can survive in its present state. But the two carriers are pursuing different solutions to their problems.

Air Canada has pressed for some form of merger, leading later to an alliance with one of the emerging multinational airline groups. It hopes to generate public sympathy by insisting that Canadian's deal with American would ensure it remains one of the country's most visible businesses being swallowed by a foreign giant.

But PWA, Canadian Airlines' parent, sees the deal with one of the strongest US carriers as a way of giving itself immediate protection, as well as greater access to the valuable US market.

PWA responded to Mr. Harris' statement by insisting that its proposed alliance with American "will minimise job loss and maintain competition in Canada."

The government has yet to show its hand. One Toronto analyst said that, provided American is willing to limit its equity stake to 25 per cent, the argument that neither can survive in its present state. But the two carriers are pursuing different solutions to their problems.

Walt Disney in TV  
station swap deal

By Alan Friedman in New York

WALT DISNEY, the Hollywood studio and theme park group, has agreed to swap a Los Angeles television station it owns for 45 per cent of Pinelands, the New Jersey holding vehicle of a leading New York independent television station.

The transaction calls for Disney to sell the Los Angeles-based KCAL-TV to Pinelands in a deal estimated to be worth \$200m.

Pinelands, which controls New York's WWOR-TV station,

was previously owned by MCA, the Hollywood entertainment group that was acquired by Matsushita of Japan.

Matsushita was required to spin off Pinelands 15 months ago because US regulations prohibit foreign ownership of US television stations.

The Disney-Pinelands deal may yet run into obstacles since it is being opposed by Mr. Mario Gabelli, the New York money manager whose company owns 12 per cent of Pinelands. Mr. Gabelli complained that the transaction undervalued Pinelands.

## EC may take some fizz out of Perrier deal

Guy de Jonquieres on concern over Nestlé's share of the French bottled water market

NESTLÉ may have won the takeover battle for France's Source Perrier, the world's largest mineral water company, but the Swiss food group faces as much as four more months of uncertainty while European Commission competition authorities decide how much of its prize it may keep.

Brussels' main concern is the French market, where the deal would almost double Nestlé's share of mineral water sales to around 40 per cent. Although the company has agreed to sell Volvic, Perrier's second largest brand, to BSN, France's leading food manufacturer, that does not solve the competition issue because it would leave Nestlé and BSN together controlling about three-quarters of French mineral water sales.

Nestlé already owns the Vitel brand in France, BSN's Quellen brand in Germany and Ashbourne in Britain, while Perrier and BSN have sizeable water interests in Italy. But nowhere in Europe except France would the deal give either company a share of more than 20 per cent.

Whether the deal will pitch Faris and Brussels into another confrontation over competition policy remains to be seen. But Nestlé seems confident that it can square any objections by disposing, if necessary, of some of Perrier's other interests.

Mineral water production is one of the world's simplest businesses. The raw material is free and requires no manufacturing; the technical skill - and profit - lies largely in

Quenching  
a thirst

Mineral water sales and consumption 1990

	Str*	S per person	Litres per person
Germany	2.98	47.76	83.49
Italy	2.57	44.33	105.10
US	2.50	10.16	33.11
France	2.24	38.90	77.22
UK	0.44	7.67	6.18

Source: Eurostat \* 1990 exchange rate

## Soft drinks market

Europe

Bottled water 38.4%

Fruit juice/nectar/drinks 11.1%

Sports 3.0%

Dilutables 10.4%

Carbonates 37.0%

US

Bottled water 11.4%

Fruit juice/nectar/drinks 14.2%

Dilutables 5.8%

Sports 1.3%

Carbonates 67.4%

Source: Canadian

knowing how to run bottling plants at close to capacity.

Yet few other food or drink sectors have enjoyed such high growth and buoyant profitability in recent years. Since the mid-1980s, worldwide sales volumes have risen by around 10 per cent annually. Margins of the larger water producers are typically between 15 per cent and 20 per cent.

In some cases, demand has outstripped supply. Sales have remained robust, even though advertising budgets have been cut and bottle sizes reduced in an effort to conserve supplies.

Evian, BSN's best-selling still water, is expected to hit production constraints in 10 years.

BSN has several other untapped springs and is in the process of launching a sparkling water, La Salveta, from one of them. However, introducing new products is an expensive way to grow in a business where competitive advantage depends heavily on advertising and marketing support.

Hence BSN's eagerness to snap up Volvic, a successful brand with ample spare capacity. Mr. Sylvain Massot, drinks industry analyst with investment bank Morgan Stanley, says: "To expand in mineral



water, you have to acquire."

Although recession has recently slowed the industry's sales growth, the longer-term outlook remains appetising - particularly in the Anglo-Saxon world where there is plenty of demand waiting to be tapped.

Prospects are bright in the US, where mineral water has begun to carve out a niche in a country long addicted to colas. Bottled waters account for only 11 per cent of US soft drinks sales, but volumes have been growing by 6 per cent a year, twice as fast as the total market.

## Buyers look over First City Bancorporation

By Martin Dickson in New York

FIRST CITY Bancorporation, the troubled Texas bank which has been seeking a buyer for months, said yesterday that several potential buyers were looking over its books.

It also gave details of a plan for restructuring takeovers and recapitalisation in a way which, it claimed, should mean no loss for the Federal Deposit Insurance Corporation, the government agency which oversees the restructuring of troubled banks.

The FDIC provided nearly \$1bn of a \$1.5bn rescue package for First City in

1987 and is anxious to avoid a second large cash injection in such a short time.

First City Bancorporation is one of the largest remaining independent banks in Texas under local ownership. Mr. Robert Abmond, the Chicago banker who led the 1987 bail-out, resigned as chairman a year ago in the face of mounting loan losses.

The bank said in a filing with the Securities and Exchange Commission that it expected an operating loss in the first quarter and losses were expected to continue until a deal was struck which restored its capital adequacy.

Without such a deal, the management believed that "substantial doubt exists as

to the ability of First City to continue as a going concern."

The proposed deal would involve First City's non-performing and doubtful loans being put into a separate pool, managed by the buyer. The buyer would also have the senior interest in the pool, which would be partially guaranteed by the FDIC. The agency would receive a fee in the form of an interest in the pool.

First City's shareholders would get a residual interest in the pool in exchange for their shares.

At the end of last year, some \$670m of the bank's \$5.5bn loan portfolio was non-performing.

Mitsubishi stake  
sale likely

MR. Lee Iacocca, chairman of Chrysler, said yesterday the company was likely to sell the rest of its 5.8 per cent stake in Mitsubishi Motors, the Japanese car-maker, "over time," writes Martin Dickson.

Mitsubishi said this week that Chrysler had cut its stake from 11 per cent through the sale of 6.8m shares for \$208m.

Mr. Iacocca said the sale would not affect the company's commercial relationship with Mitsubishi.

Corning  
earnings  
advance in  
first quarter

By Karen Zagor in New York

CORNING, the US specialty glass group, yesterday unveiled a 21 per cent increase in underlying first-quarter earnings.

Stripping-out extraordinary items, Corning said it earned \$56.4m, or 30 cents a share, in the latest quarter.

Net income for the first three months of 1992 was \$78.1m, or 41 cents a share, against \$48.1m, or 26 cents, a year earlier. The figures include one-time gains in both years.

Net sales rose 15 per cent to \$793.2m from \$691.2m the previous year, fuelled by strength in Corning's laboratory services business.

Mr. James Houghton, chairman, said the company's fibre and cable businesses were showing a seasonal upturn and a return to strong year-on-year growth.

The weak US economy, however, hurt results of Corning's consumer products and specialty materials operations.

On Wall Street, shares in Corning were \$14 higher at \$33 1/4 in an advancing market.

The company's stock has been battered in recent months by controversy surrounding the silicone breast implants manufactured by Dow Corning, a 50-50 joint venture between Corning and Dow Chemical.

Dow Corning said recently it was withdrawing entirely from the silicone breast implant business.

Although the devices account for less than 1 per cent of Dow Corning's \$23m annual sales, there is growing concern that Corning may be vulnerable if Dow Corning is flooded with successful law suits.

Mr. Houghton has said the suits would not have a material effect on Dow Corning's financial position.

In 1991, Corning's equity earnings from Dow Corning were reduced by \$8.2m after Dow Corning took a \$18.4m fourth quarter after-tax charge related to the implants.

**ENGELS - HOLLANDSE BELEGINGS TRUST N.V.**  
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NOTICE IS HEREBY GIVEN that the Annual General Meeting of Shareholders will be held on Thursday 23rd April 1992 at 12.00 hours at the office of the Company, Keizersgracht 674, Amsterdam. Shareholders wishing to attend the general meeting of the Company must deposit their shares not less than seven days before the meeting with Hollandse Koopmansbank N.V., Keizersgracht 674, Amsterdam or with Hill Samuel Bank Limited, 45 Beesh Street, London EC2P 2LX. A deposit certificate will be issued to such shareholders which, upon surrender, will entitle them to vote at the meeting.

Holders of shares registered with the Company in its Shareholders' Register must inform the Board of Managing Directors in writing at least four days prior to the meeting that they intend to attend the meeting in person or by proxy.

Holders of Participation Certificates issued by Royal Exchange Assurance who wish to attend and vote at the meeting must contact the Trustee, Department of Royal Exchange Assurance, One Aldgate, London EC3N 1RE at least ten days before the meeting.

Royal Exchange Assurance is prepared to issue a power of attorney for the same number of shares held in trust as the certificate holders shall have deposited with Royal Exchange Assurance.

Copies of the Annual Report and Accounts for the year ended 31st December 1991 and of the Resolutions to be put before the meeting will be available at the offices of the above named.

By order of the Board  
HOLLANDSE KOOPMANSBANK N.V.  
MANAGEMENT  
AMSTERDAM  
1st April 1992

Notice of Change of Name

**The Mitsui Taiyo Kobe Bank, Limited**

Notice is hereby given that The Mitsui Taiyo Kobe Bank, Limited changed its name to The Sakura Bank, Limited, with effect from 1st April, 1992.

**SAKURA BANK**

Copies of the bank's last annual report are available from

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1st April, 1992

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**DIVIDEND ANNOUNCEMENT**

NOTICE IS HEREBY GIVEN that an Interim Dividend of 4 sen per share (less 35% tax) has been declared by the Directors of Golden Hope Plantations Berhad in respect of the financial year ending 31st March, 1992, payable on Friday, 29th May, 1992.

Duly completed transfers received by the Company's Registrars up to 5.00 p.m. on Thursday, 30th April, 1992, will be registered before entitlements to the Dividend are determined.

By Order of the Board  
Norlin Abdul Samad  
Secretary

Kuala Lumpur  
31st March, 1992.

Prices for electricity generated by the power stations of the above named companies in England and Wales

Period	Price	Period	Price
1st April	16.78	1st April	17.04
1st May	16.78	1st May	17.04
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1st September	16.78	1st September	17.04
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1st November	16.78	1st November	17.



## Year-end Report 1991

## SCA in brief

Earnings per share decreased 27 per cent, and an unchanged dividend is proposed

SEK M	1991	1990
Net sales	32,760	31,122
Earnings after net financial items	1,225	2,127
of which restructuring measures	(78)	(8)
Net earnings after taxes	927	1,301
Earnings per share SEK	5.27	7.26
Dividend, proposed SEK	3.20	3.20

SEK M	1991	1990
Net sales	32,760	31,122
Operating surplus	4,488	4,381
Depreciations	(2,004)	(1,653)
Shares in earnings of associated companies	238	342
Operating profit	2,723	3,070
Restructuring measures	(78)	(8)
Operating profit after restructuring measures	2,645	3,062
Net financial items	(1,420)	(935)
Earnings after net financial items, excluding restructuring measures	1,303	2,135
Income taxes	(164)	(767)
Minority interest	(134)	(59)
After-tax earnings from ordinary operations	927	1,301
Extraordinary items (after taxes)	(26)	(205)
Net earnings	901	1,096

A complete report can be ordered by calling SCA Corporate Communications, telephone nos +46 8-665 09 09, +46 60-19 30 00, or writing to the address below.



SVENSKA CELLULOSA AKTIEBOLAGET SCA  
S-851 88 Sundeval, Sweden

## JOHANNESBURG CONSOLIDATED INVESTMENT COMPANY LIMITED

(Incorporated in the Republic of South Africa)  
Registration No. 01/00429/06

## DIVIDEND NO. 132 ON SHARE WARRANTS TO BEARER

Pursuant to the notice published on 19th January 1992 holders of share warrants to bearer are informed that payment of the above dividend will be made at the rate of exchange of 1 rand equals 18.84463p on or after 13th April 1992 upon surrender of coupon no. 133 to Barclays Bank Plc, Stock Exchange Services Department, 168 Fenchurch Street, London EC3P 3HP.

	Amount per share (U.K. Currency)
Gross amount of dividend declared	8.3851
Less: South African Non-Resident Shareholders' Tax @ 11.38%	0.9551
Amount payable where a UK Inland Revenue declaration is lodged with coupons	7.4300
Less: United Kingdom Income Tax @ 13.81% on the gross dividend (See notes 1 and 2 below)	1.1412
Amount payable where coupons are lodged without a UK Inland Revenue declaration	6.2888
Coupons must be listed on forms obtainable from Barclays Bank Plc and deposited for examination on any week-day (Saturday excepted) at least seven clear days before payment is required.	
BARNATO BROTHERS LIMITED London Secretaries Mrs. A.F. Smith Secretary	

99, Bishopsgate  
LONDON EC2M 3XE  
1st April 1992

NOTES:  
(1) The gross amount of the dividend for use for United Kingdom Income and Surplus purposes is 8.3851p.  
(2) Under the Double Taxation Agreement, between the United Kingdom and the Republic of South Africa, South African Non-Resident Shareholders' Tax applicable to the dividend is allowable as a credit against the United Kingdom Tax payable in respect of the dividend. The deduction of tax at the reduced rate of 13.81% instead of at the standard rate of 25% represents an allowance of credit at the rate of 11.38% in respect of South African Non-Resident Shareholders' Tax.

## NEW ISSUE

This announcement appears as a matter of record only

April 1992

## EUROFIMA

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11.125 per cent. Notes due 1999

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Credit Suisse First Boston Italia	Swiss Bank Corporation
UBS Phillips & Drew Securities Limited	Banca Commerciale Italiana
Banca d'America e d'Italia Deutsche Bank Group	Banca Ecomobiliare
Banca Nazionale del Lavoro	Banco di Napoli
Banco di Roma Gruppo Credit di Abbinamento di Roma	Banque Bruxelles Lambert S.A.
CARIPLO S.p.A.	Commerzbank Aktiengesellschaft
J.P. Morgan Securities Ltd.	Paribas Capital Markets Group
Bankers Trust International PLC	Dresdner Bank Aktiengesellschaft
Fuji International Finance PLC	Generale Bank
Goldman Sachs International Limited	Hessische Landesbank GmbH
Kreditbank International Group	Monte dei Paschi di Siena
Morgan Stanley International	NatWest Capital Markets Limited
Sauwa International plc	Westdeutsche Landesbank Girozentrale

## Braced for a second dose of deregulation

Kevin Brown finds an uneasy welcome to plans to further liberalise Australia's airline industry

LESS than 18 months after the Australian government swept away decades of strict regulation, the country's aviation industry is struggling to come to terms with a further dramatic dose of deregulation.

Mr Paul Keating, the prime minister, appeared to offer something for everyone when he announced plans to "revolutionise" the industry by creating a common aviation market in Australia and New Zealand.

The announcement followed calls from New Zealand for greater access to the Australian domestic market, and it seemed to offer significant opportunities to the three big Australian airlines.

However, the Keating plan has added to the confusion in the industry as it counts the cost of two years of economic recession and a bitter fares war sparked by deregulation.

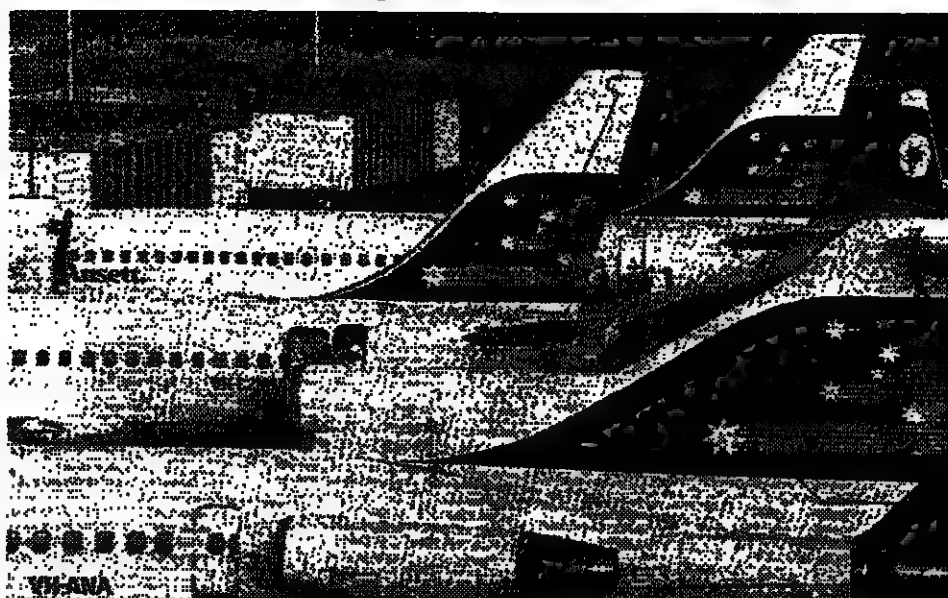
And while the airlines involved have been careful to welcome the proposals, they seem daunted by the dangers of open competition in a joint market of just 20m people.

Under the Keating plan, Qantas, the government-owned international carrier, would gain access to Australian domestic routes next year, and the Tasman Sea route to New Zealand would be opened to Australian Airlines, the government-owned domestic carrier, and Ansett Australia, a private domestic carrier jointly owned by TNT and News Corporation.

A second stage, to be completed by 1994, would create a common aviation border, within which Australian and New Zealand airlines would have unrestricted access to all routes, including the Tasman.

The plan also reverses a government ban on cross-shareholdings between the three Australian airlines, raising the prospect of equity links between Qantas and one of the two domestic carriers.

Mr Keating told parliament that these "great changes to our national transport system will make our continent



Lining up for new routes - Ansett aircraft at Melbourne's international airport

smaller and our nation greater". But, in the short term, the plan seems more likely to compound the industry's problems.

Only one new airline - Compass Airlines - entered the market, but its entry sparked a price war which helped push both big airlines into losses in 1990-91, and ended with the collapse of Compass just before Christmas.

Although fares have since stabilised, Sir Peter Abeles, joint chairman of Ansett, says the airline is likely to make a loss for the year to June because of heavy losses in the first half. Analysts say Australia is in a similar position.

Both airlines face the possibility of renewed competition from mid-year when Compass is expected to re-enter the market following a deal between the liquidator and Southern

Cross Airlines, another potential new entrant. Several other airlines are thought to be at the planning stage.

Competitive pressures would intensify if Qantas and Air New Zealand joined the domestic fray. Qantas has about 15,000 vacant seats a week on the Australian legs of international flights, compared with about 120,000 on the two domestic airlines.

The Keating plan raises questions over the government's efforts to privatise 49 per cent of Qantas and 100 per cent of Australian. The sales have attracted informal interest from British Airways and several Pacific region airlines, including Air New Zealand, Garuda Indonesia, Singapore Airlines, Japan Air Lines and North West Airlines of the US.

However, the regulatory changes will delay progress towards formal offers, while the potential hidden costs of the unpredictable consequences of the new regime. Qantas, for example, might gain from the ability to sell

empty seats to domestic passengers, but could lose from increased competition on the Tasman.

Mr John Ward, chief executive of Qantas, says the announcement leaves the privatisation process "confused". Officials say the sales will almost certainly have to be put back to next year. "It's a mess," says one.

New Zealand is threatening to block the creation of a common Australasian market unless Air New Zealand is given full international rights for flights passing through Australia.

Mr Rob Storey, New Zealand's transport minister, says these so-called "beyond rights" would "form an integral part" of a single aviation market, and would have to be granted in advance by Australia.

Officials will begin discussions on the issue shortly, but the odds for compromise do not look good. "The Kiwis are just trying to get us to agree that we will agree," says an Australian official.

Even if the beyond rights dispute can be overcome, there

seems to be limited scope for further competition on the Tasman, where Qantas and Air New Zealand are already sharing aircraft on some routes because of over-capacity.

Against this background, the package left the airlines distinctly underwhelmed. In the five weeks since Mr Keating announced his proposals, none has come forward with plans to take advantage of them.

Ansett, for example, says it may seek to fly across the Tasman to link its Australian and New Zealand domestic services, but would consider other international operations only in exceptional circumstances.

"It has got to be a very special operation because the European and American markets are so oversupplied with airlines now that it will be a cut-throat operation for a long time," says Sir Peter.

Nor would Ansett seek to purchase a stake in Qantas, because of the government's intention to retain a 51 per cent shareholding. "We like to have control," Sir Peter says.

Mr John Schaap, managing director of Australian Airlines, told an aviation conference recently that Australia would not "charge in at the first opportunity, at any cost" just because it had been given the right to compete for international routes.

"To do so would be a very risky exercise, in which we would be seeking a slice of somebody else's business, and they would seek to protect themselves, possibly by seeking a slice of our established business," he said.

In spite of their caution, the airlines will be investigating their options over the next few months. But with the example of Compass before them, they are unlikely to lose sight of the possible consequences of another fares war caused by overcapacity.

Such a battle, says Mr Schaap, could easily "destroy one of the airlines. And that, the airlines all agree, is not likely to be in anyone's interests."

## ANZ drops partnership plans

By Kevin Brown in Sydney

THE Australia and New Zealand Banking Group (ANZ) yesterday dropped plans for a commercial partnership with National Mutual Life, nearly two years after the Australian government vetoed plans for a \$2.4bn (US\$2.6bn) merger.

Mr Will Bailey, ANZ chief executive, said detailed negotiations had failed to find a structure which would allow joint control of important business areas while conforming with federal competition law.

The two groups set up working parties to discuss ways of increasing co-operation after Mr Paul Keating, then Australia's treasurer, blocked the proposed merger on competition grounds in May 1990.

Mr Keating said the merger

would have substantially reduced competition in the life insurance market, which is dominated by a handful of banks and pension funds.

The effect of his ruling was to ensure in law the independence of the country's six biggest financial institutions. ANZ is the second largest bank, and National Mutual is the second largest life office.

Mr Bailey said detailed analysis of the groups' funds management, information technology and product distribution operations had confirmed that a merger was "clearly the best option for both parties".

He said the groups had identified areas in which gains could be made from joint control, but had been "unable to find a structure which would meet each company's require-

ments and also fall within the government restrictions".

However, Mr Bailey said the two groups would co-operate on broader commercial issues such as capital raisings, systems costs and distribution of a limited range of products.

Mr Gil Hoskins, managing director of National Mutual, said policy-holders would benefit from "a loose alliance which leaves scope for the development of other connections and arrangements within the financial sector".

He said ANZ wanted to maintain a "independent position in the superannuation and life insurance markets rather than enter a partnership short of a merger."

"Therefore it is impractical to continue to be aligned with them," he said.

## New World up 166%

By Simon Holberton in Hong Kong

MR CHENG Yu Tung's New World Development has exceeded expectations with a 166 per cent rise in interim net earnings, to HK\$939.2m (US\$121m) from HK\$562.4m, in the six months to December 31.

This marks a significant improvement for New World, which earned a net HK\$1.6bn in the year to June 30 1991. A dividend of HK 21 cents was declared, up 31 per cent from HK 16 cents last time.

Directors said they expected even better results in the second half. They said the outlook was encouraging, given south China's economic development and the determination of Beijing to quicken the pace of economic reform in China.

New World is one of Hong

Kong's biggest hoteliers and property developers, with interests throughout Asia, and the US. It also has interests in southern Chinese infrastructure developments and transport in Hong Kong.

During the half-year, income from property sales rose HK\$471.7m to HK\$644.9m. Profits from hotels and restaurants rose 35 per cent to HK\$283m, while rental income rose 11.4 per cent to HK\$325.2m.

The company said its hotel occupancy levels had improved during the last half of 1991 and this had continued into this year. In China, where the market has been depressed, higher tourist arrivals were expected to underpin better results.

In the first half, Ramada International Hotels and Resorts opened 13 hotels worldwide.

## Bank Hapoalim set back by farm debt legislation

By Hugh Carnegie in Jerusalem

CONTROVERSIAL legislation enforcing the forgiveness of agricultural debt hit another of Israel's banks yesterday when Bank Hapoalim - the country's largest in terms of asset value - reported a 26 per cent fall in 1991 net profits, down to Shk135.7m (\$56.3m) from Shk183m the previous year.

The legislation, which requires banks to write off big chunks of the outstanding Shk2bn debt of the Moshavim collective farms, was passed by the Knesset earlier this month. The Bank of Israel has advised commercial banks to make the resulting provisions in their 1991 accounts.

Bank Hapoalim, the last of the five leading banks to report, had to double its steel producer in Australia. This is the latest twist in a lengthy battle for control of the plant, which was expanded in the early 1980s as part of a "think big" strategy to make

47 per cent to Shk981m. Although it managed to stay in the black - unlike its chief rival, Bank Leumi - Bank Hapoalim saw a potential significant advance turned into a decline. Return on capital fell to 4.7 per cent from 6.2 per cent the previous year.

The bank, controlled by the Histadrut trade union federation but majority-owned by the government, said that in other respects it had improved performance. Financing income at Shk2.1 bn, was up almost 8 per cent, an improvement attributed to loan portfolio restructuring and improved margins.

Non-financing income rose by 11.5 per cent to Shk385m as the bank increased its activities in areas such as brokerage and underwriting. The contribution from subsidiaries and affiliates increased to Shk45m from Shk25m. Total assets were down 2 per cent at Shk84.7bn.

## PosGold wins investor support for ACM deal

By Kevin Brown

POSEIDON Gold (PosGold), part of Mr Robert Champion de Crespigny's Normandy Poseldon group, looks set to achieve one of two attempted mergers after shareholders in ACM Gold voted in favour by a narrow margin.

The merger was approved by a margin of less than 1 per cent of investors, reflecting dissatisfaction among some small shareholders about the terms offered by PosGold.

However, the vote means Mr de Crespigny has won approval for the more important element of his plans to turn PosGold into Australia's third largest gold producer, with annual production of more than 700,000 ounces.

The plan suffered a setback when shareholders in Mount Leyshon Gold Mines voted for a merger with PosGold, but by an insufficient margin to sat-

isfy the company's articles of association.

The merger proposal is part of a simplification of the Normandy Poseldon group structure. It would also give PosGold direct control of Mount Leyshon and ACM Gold assets.

ACM Gold is 40 per cent owned by Normandy Poseldon following a recent joint takeover of Australian Consolidated Minerals with Western Mining Corporation. Mount Leyshon is 49 per cent owned by PosGold.

Mr de Crespigny is expected to offer improved terms to Mount Leyshon shareholders, some of whom have indicated they would accept an offer which provided a premium for control.

If the two deals go through, PosGold will have a strong presence in three of Australia's biggest gold provinces - Kalbarrie, Tennant Creek and Charters Towers.

## Wellcome names lead managers for share sale

By Maggie Urry

WELLCOME Trust, the medical charity, has appointed lead managers for its planned international sale of shares in Wellcome, the drugs group. The trust is aiming to reduce its stake from 73.6 per cent to under 50 per cent and possibly as low as 25 per cent.

The sale is expected in July, although timing will depend on market conditions. At yesterday's closing share price of £10.49, up 27p, the sale could raise £4.4bn. That would make it the largest private-sector sale in the UK. As such, it carries a lot of prestige and may prove to be a highly profitable sale for the lead managers.

Although all the managers appointed are leading houses, there will be disappointment among those that have not been selected. Salomon Brothers, for example, was understood to have hoped to manage a portion of the US tranche. However, Salomon was apparently ruled out because its analysts had not written research on Wellcome in the US and under US rules

## INTERNATIONAL EQUITY ISSUES

could not start doing so when an offer was under way.

The trust must gain the consent of the High Court to cut its stake below 50 per cent. A hearing is expected in the second half of April.

The share sale is to be run along the lines of the BT sale last autumn when a substantial stake in an already quoted company was sold. In that sale, large investors were asked to put in bids for shares in order to assess demand and set a price.

The final structure of the sale has yet to be determined. The proportions allocated to different markets will depend on local demand, but the same price will prevail in all markets.

Wellcome was involved in the appointment of the lead managers and said yesterday that it gave full support.

Robert Fleming, the merchant bank, had already been appointed as global co-ordinator for the sale while Barings Brothers advised the company.

The regional syndicates, lead managers are Casanova and S G Warburg Securities in the UK; Morgan Stanley, Lehman Brothers and Merrill Lynch in the US; Nikko Securities in Switzerland; Credit Lyonnais and Banque Indosuez in France; Dresdner Bank and Deutsche Bank in Germany and Jardine Fleming for the Pacific Rim.

Robert Fleming will cover the rest of the world including European countries not covered individually, Canada and the Middle East.

## Hyundai founder to relinquish shareholding

By John Burton in Seoul

MR Chung Ju Yung, the founder and former chairman of Hyundai, the Korean conglomerate, says he will relinquish his shareholding rights in the group's 14 concerns to concentrate on his new-found political role.

Mr Chung is likely to transfer most of his shares, valued at \$2.6bn, to his younger brother, Mr Chung Se Yung, the Hyundai chairman.

Mr Chung said, however, he may sell some of his shareholding to raise funds for his new political party, the Unification National Party (UNP), which gained a pivotal parliamentary position in last week's National Assembly elections.

The disposal of the shares is also aimed at increasing the UNP's popular appeal by distancing it from Hyundai.

## BHP seeks approval for takeover of NZ Steel

By Terry Hall in Wellington

BHP, Australia's largest company, is seeking statutory approval to mount a full takeover of New Zealand Steel, from authorities in both countries. NZ Steel is a world leader in advanced technology to convert iron to steel.

A previous bid by BHP met with opposition in both countries on monopoly grounds. BHP is the only significant steel producer in Australia.

This is the latest twist in a lengthy battle for control of the plant, which was expanded in the early 1980s as part of a "think big" strategy to make

New Zealand industrially independent and create jobs. One of the Labour government's first acts in 1985 was to announce it was selling its controlling shareholding.

It had to write off NZ\$1.5bn (US\$322m) before selling the Glenbrook mill to Equicor for NZ\$327m in 1987.

NZ Steel was then sold to a joint venture between BHP and various New Zealand-based interests for NZ\$223m, against opposition from Fletcher Challenge.

To secure control of NZ Steel, BHP is again seeking approval from the Australian Trade Practices Commission which opposed BHP gaining a

shareholding in 1989 on the grounds that NZ Steel was one of BHP's few competitors in the Australian market.

It took court action to secure a compromise with BHP who undertook not to inhibit NZ Steel from marketing steel products in Australia and to seek approval before seeking to increase its shareholding.

The New Zealand Commerce Commission approved the takeover.

The commission said that BHP effectively controlled New Zealand Steel through a joint venture with Steel and Tube, a New Zealand-based metals concern which was part of the consortium making the bid, and

which in turn was controlled by another BHP subsidiary Tubemakers of Australia.

The other members of the consortium are Fisher and Paykel and the ANZ Banking Group.

Mr Scott Kerr, managing director of BHP Trading in New Zealand, said that NZ Steel needed an injection of capital which the other shareholders were not in a position to contribute.

BHP wanted to finance capital spending at the mill, he said. This would lead to economies within the company with opportunities to rationalise exporting and freight costs, he added.

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commercial banking with more bond issues and M&A transactions than any  
other Japanese financial institution. Watch your business bloom. We've  
helped many of the largest and most successful companies in the world  
get that way, and we can help you, too. Because while we have a  
new name, our roots are still firmly planted, our branches  
are stronger than ever, and it's the season for  
new growth. A natural fit for  
the sakura cherry blossom.  
A natural fit for  
Sakura Bank.



**We've Changed Our Name, But Not Our Nature.**



**SAKURA BANK**

As of today, we have upgraded our Milan representative  
office to branch office status so that it may serve  
a wider range of banking and investment needs.

General Manager: Katsunuke Taniyama  
Address: Piazza San Babila, 3, 20122 Milano  
Telephone: 02-76021247 Telefax: 02-782438 Telex: 331839 MITKBI I



## Norway and Abbey National launch ambitious deals

Against this, Norway's ear-

The 10½ per cent bonds were priced to yield 30 basis points more than UK government bonds, seen as aggressive by many market participants.

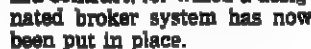
The 9% per cent bonds were re-offered to investors at a fixed price of 99.625, for a yield spread of 47 basis points more than Canadian government bonds.

The deal's performance will be compared with other Japanese companies looking for new funding to refinance maturing debt.

be watched by  
looking to raise  
g warrant and

warrants to buy new shares and the companies will have to repay out of cash flow or by raising new finance.

exchange's policy has been to concentrate on core products in soft commodities such as cocoa and sugar contracts. This emphasis on soft commodities is expected to continue



Prices had traded weaker early in the day in anticipation of the economic figures. When news of a rebound in consumer confidence and an improvement in some regional purchasing managers' reports came through, the market did not flinch because the data

The market had been looking for Mrs Cresson to be replaced for some time, and gained further confidence from speculation that she would be replaced

■ **GERMAN** government bonds were supported by the strength of the French market, with cash bonds ending generally slightly firmer on the day. The bund market was unnerved

state than either main political party was admitting, and again later on a report that the latest opinion poll had shown a marked increase in the showing of the opposition Labour party.

■ **STRONG** reports that Japan's long-expected official discount rate cut would finally come today - and that, at 0.75 percentage point, would be larger than generally expected - gave the Japanese govern-

ment market a strong start to the day. However, from an opening yield of 5.27 per cent on the benchmark no 12-month bills, prices fell during the day, with the yield rising to 5.315 per cent by the close.

**STRAIGHT BONDS:** The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day = Change on day of issue.

**FLOATING RATE NOTES:** Denominated in dollars unless otherwise indicated. Coupon shown in minimum. Spread - Margin above six-month Treasury note (three-month below mean rate) for U.S. dollars. C.c.m. = The current coupon.

**SECURITIZED BONDS:** Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in dollars. C.m. = Conversion rate into U.S. dollars. P.m. = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares

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Day of issue = Day of first coupon payment.

TRADITIONAL OPTIONS		
● First Dealings	March 30	shown on this page.
● Last Dealings	April 10	Calls in: Astec (BSR), Brent
● Last Dealings	July 9	Walker, Gulf Resources, Lonrho,
● For settlement	July 26	Premier, Tarmac and Thames TV.
● For settlement		Put & Calls: Lonrho.

Boats	33	GEO	15	P & Q Ltd	23	Vickers	11	Premier Cons	24
Bowler	58	Glasgow	69	RACAL ELECT	30	Wellcome	72	Shels	
Brit Aerospace	30	Grand Met	70	RHM	5	<b>PROPERTY</b>		Tuskar Res	12
British Steel	6	GR	10	Rank Org	16	Brit Land	18		
Brit Telecom	30	Nelson	15	Rebbers	2	Land Sec	32	<b>MINES</b>	
Cadbury	23	ICI	90	Read Int	30	MEPC	26	RTZ	45

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## COMPANY NEWS: UK

## Croda at £21m but sees strong start to year

By Richard Gourlay

CRODA International, the chemicals group, reported annual results broadly in line with industry expectations after significant cost cutting in the face of recession.

Pre-tax profits for 1991 fell from £23.7m to £21.5m on sales down 4 per cent at £382.5m.

Earnings per share fell from 17.45p to 16.9p and a reduced final dividend of 4.75p gives a total for the year of 7.5p, down 32 per cent on 1990, in line with the interim statement.

Mr Keith Hopkins, chief executive, said that sales in the first two months of this year were "well up" on comparable months last year as a result of stronger demand for chemicals for the cosmetics and packaging industries.

Gearing was unchanged from the half-year at 39 per cent although the interest charge nearly doubled to £5.1m as less interest was capitalised. Capital expenditure, which at £10m last year represented the end of a large investment programme, was likely to fall to £13m this year.

Mr Hopkins said the group was concentrating on expanding foreign markets, particularly in Europe and the US, as only 62 per cent of sales were currently overseas, a relatively low level for the chemical industry.

## A COMMENT

Croda is closer to the consumer than most chemical companies, so it is not surprising that its sighting of recovery has come before its competitors. Having taken out significant costs this year, it is well positioned to take advantage of the recovery. This, however, may be restricted by the higher interest charge coming through now that the large capital spending programme has been completed and less interest is being capitalised. While some brokers are forecasting pre-tax profits close to £27m, a figure of £25m seems more likely, giving earnings of 12.6p and a prospective multiple of 13.

## BNB Resources tumbles to £2.6m

By Peggy Hollinger

PROFITS AT BNB Resources, the recruitment, training and advertising group, fell 40 per cent, from £4.5m to £2.6m pre-tax, in 1991 as the recession put severe pressure on fees.

Mr David Norman, chairman, said the results were "more than respectable" against the "worst trading conditions experienced in our industry sectors in more than a decade". UK demand for recruitment advertising and selection had fallen by 40 per cent.

He warned that the first six months of this year would continue to be difficult, but some growth was expected by the second half, when he said the result, struck on turnover 16 per cent lower at £54.5m, was buoyed by interest gains of £1.5m (£1.5m). The group had £7.5m cash after the £2.6m purchase of ATC, the chartered accountant training company, at the end of the year.

Mr Norman said BNB "may well spend the money on acquisitions" and suggested that the next significant purchase was likely to be in the training sector.

The decline in profits masked a strong showing from the executive search business, which increased its contribution by more than 20 per cent. Profits in the human resources division overall fell by 19 per cent to £2.0m, following a 33 per cent drop in advertising revenues. Further declines in this division had been halted through a £100,000-plus restructuring programme.

The regional communications business incurred a £45,000 loss (£39,000 profit), largely from a sharp decline in profits in Scotland. The other two regional businesses, in Manchester and Birmingham, were expected to return to profit this year following significant cost-cutting, said Mr Norman. "I think we have got the cost base right, but demand is static to say the least," he said.

Earnings per share fell by 6.3p to 3.3p. The final dividend is 3.3p for a total of 4.9p (£4.9p).

## DIVIDENDS ANNOUNCED

Company	Current dividend	Date of payment	Corresponding dividend	Total for year	Total last year
African Lakes	2.00	Jun 18	2.00	2.00	2.00
Avonmore Foods	1.00	Jun 12	1.00	1.00	2.75
Bilston Enamels	1.00	Jun 12	1.00	1.00	1.00
BNB Resources	3.30	May 29	3.30	3.30	4.00
Clinton Cards	2.25	May 29	2.25	2.25	5.25
Croda Int'l	4.75	Jun 29	4.75	4.75	1.11
Easton & Gam	2.50	May 2	2.50	2.50	3.75
Garton Eng	5.25	Jul 1	5.25	5.25	7.00
Gaskell	5.50	Jul 1	5.50	5.50	8.50
Hay (Norman)	0.54	Jul 2	0.54	0.54	1.14
Headline	1.85	Jun 2	1.85	1.85	2.40
Jacobs (John B)	1.4	May 29	1.4	1.4	2.9
Johnston Press	3.50	May 11	3.50	3.50	5.50
Macfarlane	2.40	May 29	2.40	2.40	4.04
Mowat	0.50	Jul 8	0.50	0.50	0.50
Nordic & Pesticides	3.50	Jul 8	3.50	3.50	5.50
Servomax	3.90	May 29	3.90	3.90	5.40
Swallowfield	0.84	May 14	0.84	0.84	1.82
TIP Europe	0.85	May 15	0.85	0.85	2.57
Trefoil Park	0.85	Jun 15	0.85	0.85	1.45
Tyne Tees TV	5.50	Jul 1	5.50	5.50	9.30
Watts Blake	5.50	Jul 1	5.50	5.50	9.30

Dividends shown pence per share net except where otherwise stated. \*On capital increased by rights and/or acquisition issues. \$USM stock. †Irish pence.

## European Motor calls for £17.4m in rights

By Jane Fuller

EUROPEAN MOTOR Holdings, the motor group launched out of Cargo Control last autumn, is raising £17.4m in a rights issue and buying the car wash equipment market leader.

The 4-for-3 issue of 17.4m shares at 105p each, will mostly be used to fund the cash and shares acquisition of Casemount, parent company of Wilcomatic.

The deal consists of a £5.5m purchase price, in 3.5m shares and £1.7m cash, plus the repayment of £12.9m debt. EMH's shares were suspended last week at 123p.

Mr Richard Palmer, chief executive, said about £4m of the issue proceeds would be left over to repay EMH's debt, leaving the combined group with net assets of about £14.5m.

Wilcomatic's 2,200 machines carried out 52m car washes last year. Founded 25 years ago, it was the subject of a management buy-out via Casemount in 1989. In the year to February 1 Casemount made an operating profit of £2.33m on turnover of £15.2m.

It is EMH's second purchase in six months. Last October it bought Thomas Robinson's motor dealership business for £7.1m, which was accompanied by a share issue to raise £9.5m. Robinson was then under the care of a company doctor and has since been taken over by BM Group, the industrial holding group.

That deal marked the launch of EMH out of the ashes of Cargo Control, which had suffered substantial losses at Transquip, its aircraft container manufacturing subsidiary. Cargo's pre-tax losses amounted to £735,000 for the six months to September 30.

Mr Palmer, who built up Western Motors between 1967 and March 1990 when it was sold for £100m to TKM, said: "Most of last year was spent sorting out the company and we sold Transquip, which was the most haemorrhaging subsidiary."

The combined group is forecast to have annual profits of just over £4m on turnover of more than £50m.

## Johnston Press produces 8.5% rise to £7.6m

By James Buxton, Scottish Correspondent

JOHNSTON PRESS, the Edinburgh-based company which publishes paid-for and free newspapers in England and Scotland, increased pre-tax profit by 8.5 per cent, from £7.4m to £7.6m, in 1991.

The rise was achieved despite a 2 per cent fall in sales to £81.5m, and stemmed from cost control measures and the shedding of production staff as a result of new technology.

Mr Fred Johnston, chairman, whose family controls 52 per cent of the shares, said the newspapers had generally suffered a decline in advertising volumes. Gains in Scotland, where recession had been less severe, was offset by falls in the English newspapers.

Earnings were 18.7p (16.7p). The final dividend is 3.5p, making 5.5p (5p).

## Too deep a hole to dig itself out of easily

Vanessa Houlder on how Speyhawk has fallen prey to the property market collapse

SPEYHAWK's huge losses are further confirmation of the forces that have pushed the UK commercial property industry into the worst decline since the 1930s.

Its pre-tax loss of £217m for the year to September 30 may not be a record for stricken UK developers - Rosehaugh produced a pre-tax loss of £227m for the year to end-June. It is however a remarkably steep decline. A year ago, it announced a pre-tax loss of just £2.86m and net assets of £140.5m.

Nonetheless, many City commentators saw Speyhawk's fall as merely a matter of time. As a developer with a large number of unlet buildings under construction, it was badly exposed to the property slump. Its only hope of avoiding the consequences was in attracting a partner with deeper pockets. This prospect crumbled in August 1990 when Nordstjernman, a Swedish property company, pulled out of deal to buy Speyhawk after the invasion of Kuwait.

Speyhawk encapsulates two of the worst problems in the UK property market, the parlous state of the City office market and the plummeting values of development sites. Over half of its £205m provisions are due to two City buildings, which are worth around half their construction costs. One, at St Mary Axe, is 155,000 sq ft; the other, built over Cannon Bridge is 155,000 sq ft, of which 100,000 sq ft is let to Life, the financial market.

In a City market, where nearly one in five office buildings are empty, it could take years for Speyhawk to fill its buildings. Even if Speyhawk succeeds in securing a tenant, it is likely to be for significantly less than the asking rent of £45 per sq ft. Worse still, tenants are insisting on rent-free periods of at least two years, leaving a large hole in Speyhawk's cash flow.

The next largest contributor to Speyhawk's huge losses are its development sites such as Weymouth town centre and

the old ITN building have been slashed to a quarter of their former value. Development site values are particularly sensitive to market conditions as their worth lies in the difference between the buildings' potential value and their potential cost.

Speyhawk's task in digging itself out of this hole is a large one. Its 30 properties are half empty on average. Unless it can let the buildings, it cannot hope to sell them. Last year it made just £75m of sales, compared with £200m.

Mr Osborne is upbeat about the prospects of an increase in values. "We have agreed a four-year period with the banks so that we don't need to sell at these levels." He reports a "healthy level" of enquiries at Thames Business Park and reckons that in two years time, the City rental market will have improved.

The idea that they would be selling at the bottom of the market is the main reason for the banks' decision to support Speyhawk. A forced sale would send prices down into another downward spiral. In any case, there is no obvious market for unlet buildings.

That said, it is still no mean achievement to get agreement from so many banks. The final agreement, which has taken since last August, has yet to be signed. Speyhawk has 46 banks worldwide, led by Barclays and Citibank, and debts of £305m.

This total includes Speyhawk's off balance sheet loans, as their covenants were broken and they had to be considered with the rest of the debt. "I have come to the conclusion that non-recourse debt is a concept rather than reality," says Mr Osborne.

After a standstill on debt repayments since last August, Speyhawk has agreed with its banks to reduce its debts over a four-year period. The banks will not need to put new money into the company.

Shareholders will receive information on the restructuring, which will include a reor-



Clouds gather over Speyhawk's Cannongate development in London

ganisation of share capital, when a final agreement is reached with the banks. Liabilities exceed assets by £70m but the banks have agreed to subordinate part of their debt to help the company solvent. The pre-tax losses of £217m were struck after provisions of

£205m. Turnover decreased by 71 per cent to £78.4m. The loss per share was 82p (27.3p). In some ways, Speyhawk's decline marks full circle for the 1980s development boom. Speyhawk was first of a wave of property developers to join the stock market during the 1980s.

Now, nearly all of them have either been taken over, or have run into severe difficulties.

A remarkable aspect of the end of this era is how few have been put in receivership. For all the severity of the decline, the boom is ending not with a bang but a whimper.

## NEWS DIGEST

## Macfarlane tumbles to £6.85m

PROFITS of Macfarlane Group (Clanman), the Glasgow-based packaging company, continued to fall through the second six months of 1991 and for the full year emerged £2.37m lower at £6.85m pre-tax.

The figure was adversely affected by restructuring costs of £304,000 (£318,000) which were taken above the line this year following changes in accounting standards - previously restructuring charges were taken below the line.

With most group companies exposed to a downturn in business throughout the year turnover fell by 19.4 per cent to £28.68m.

In order to counteract the effects of the recession the directors introduced economies which included substantial reductions in manning levels, stocks and debtors.

In order to reflect their confidence in the underlying strength of the business the directors are proposing to raise the dividend for the year by 5.1 per cent to 4.24p via a final of 2.49p. Earnings fell

from 11.91p to 8.97p per share.

## Clinton Cards

Clinton Cards, the specialist high street greeting card retailer, showed a loss of £163,000 for the year ended February as some recession-hit customers stayed away from its stores. The result compared with a pre-tax profit of £25m a year earlier.

Operating profits dropped to £600,000 (£5.8m) despite a 10 per cent staff cut. Net interest charges of £740,000 pushed it into the red.

The final dividend was cut to 3.25p a share making 3.75p (£2.25p) total. Losses per share totalled 0.96p (earnings 20.4p).

Turnover rose 17 per cent to £80.3m (£51.4m).

## Mowat

Mowat, the USM-quoted property and leisure group, yesterday reported a pre-tax loss of £1.97m for the 15 months to end-September and also revealed that it was holding talks regarding the sale of its housebuilding division.

The loss, which compared with profits of £651,000 for the 13 months to June 30 1990, was struck after taking account of a £5.7m rise in administration

expenses to £8.71m and interest charges which more than doubled to £11.6m.

Turnover expanded from £26.6m to £48.8m and operating profits by £3.4m to £9.5m. Leisure activities contributed £22.1m (£4.16m) to turnover and £4m (£2m) to operating profits.

Mr Brian Dunlop, chairman, said the "relative performances of the group's main operating divisions have highlighted the strength of the holiday division".

As a result, it has decided to concentrate all group resources in the holiday division and initiate a phased withdrawal from property development and housebuilding.

## Swallowfield

Pressure on prices and margins meant that Swallowfield, a manufacturer of perfumes and cosmetics which obtained a full quote in April, made a reduced profit for 1991 despite increased sales and reduced interest charges.

Profit was down at £3.2m (£2.37m) after net interest payable of £546,000 (£550,000), on turnover ahead at £22.9m (£22.4m).

Earnings per share came out at 14p (16p). A final dividend of 3.9p is proposed, making a

same-again total of 8.1p.

## Norman Hay

Norman Hay, the general engineering group, fell into losses in 1991 after turnover fell by 19 per cent and it provided £2.17m for relocation and redundancy costs.

Losses worked through at £2.18m, compared with the 1990 profit of £292,000.

However, the dividend is held at 1.14p, the final being 0.61p. Directors were confident they could sustain dividends

from earnings in future years following the reorganisation. Losses emerged at 11.34p (earnings 4.04p).

## Baillie Japan

In the six months to February 29 net asset value of Baillie Gifford Japan Trust fell 6.8 per cent, from 596.2p to 558.6p.

Gross income fell from £314,000 to £159,000, and the loss available for ordinary holders increased to £235,000 (£56,000), or to 2.32p (0.6p) per share.

## Changes to FT-Actuaries Indices

The following changes to the FT-Actuaries Indices will take effect from today.

Deletions: Barrett (Henry) (FT-A sector 8 - Metals and Metal Forming); Buckingham International (29 - Hotels & Leisure); Cairn Energy (51 - Oil & Gas); Eurocopy (48 - Miscellaneous) ML Holdings (6 - Engineering-Aerospace); PFG Hodgson Kenyon (45 - Miscellaneous); Wheway (7 - Engineering-General).

Additions: Aberforth Smaller Co Ltd (71 - Investment Trusts); Alba (5 - Electronics); Bristol Evening Post (30 - Media); Hardys & Hansons (22 - Brewers & Distillers); Men-

vier-Swain (4 - Electricals); Moorgate Smaller Cos Inv Trst (71 - Investments Trusts); MTL Instruments (5 - Electronics); Secure Trust (70 - Other Financial); Transfer Technology (7 - Engineering-General); Weyvale Garden Centres (34 - Stores).

Reclassifications: Broms-grove Industries to (7 - Engineering-General from 8 - Metals and Metal Forming); Salvesen (Christian) to (41 - Business Services from 25 - Food Manufacturing).

These reclassifications will also be reflected in the London Share Service.

## IS Himalayan Fund NV

(A company incorporated in the Netherlands with limited liability)

NOTICE OF ANNUAL GENERAL MEETING  
Notice is hereby given that the second Annual General Meeting of IS Himalayan Fund NV will be held at 10 a.m. on Tuesday, 28th April 1992 at Banque de Suez Nederland NV, Herengracht 320, Amsterdam for the following purposes:

- To approve the report of the directors and the accounts for the year ended 31st December 1991.
- To authorise the directors to use the English language in the annual report and financial statements.
- To appoint S. Chaur as a director of the company.
- To appoint J.V. Shetty as a director of the company.
- To re-appoint the auditors.
- To authorise the directors to fix the auditors' remuneration.
- To amend the Articles of Association to conform with the Decree of the Supervision of Investment Institutions.
- To approve the amendment of investment policy.

Copies of the annual report may be obtained from the Administrator whose address appears below or Banque Indosuez, 52-62 Bishopsgate, London EC2N 4AR. The ordinary shares are listed on the London and Amsterdam Stock Exchanges.

- A member shall only be entitled to attend and vote at the Annual General Meeting if he is registered in the register of members of the company as at the close of business on the 15th day before the date of the meeting. This register shall be open for inspection at the offices of Banque de Suez Nederland NV, Herengracht 320, Amsterdam from 10 a.m. to 4 p.m. on the 15th day before the date of the meeting. The register shall be open for inspection at the offices of the Administrator, 52-62 Bishopsgate, London EC2N 4AR, from 10 a.m. to 4 p.m. on the 15th day before the date of the meeting. The register shall be open for inspection at the offices of the Administrator, 52-62 Bishopsgate, London EC2N 4AR, from 10 a.m. to 4 p.m. on the 15th day before the date of the meeting. The register shall be open for inspection at the offices of the Administrator, 52-62 Bishopsgate, London EC2N 4AR, from 10 a.m. to 4 p.m. on the 15th day before the date of the meeting.
- A member who is not a member of the company shall not be entitled to attend and vote at the meeting.
- All instruments of proxy must be deposited at the offices of Banque de Suez Nederland NV, Herengracht 320, Amsterdam not less than 24 hours before the date of the meeting. The instrument must be in the form of proxy and must be countersigned by the member or his attorney or by proxy at the above meeting.
- Any member who is entitled to attend and vote at the meeting, on a poll, vote in person or by proxy.
- A member who is not a member of the company shall not be entitled to attend and vote at the meeting.
- All instruments of proxy must be deposited at the offices of Banque de Suez Nederland NV, Herengracht 320, Amsterdam not less than 24 hours before the date of the meeting. The instrument must be in the form of proxy and must be countersigned by the member or his attorney or by proxy at the above meeting.
- Any member who is entitled to attend and vote at the meeting, on a poll, vote in person or by proxy.

Administrator  
Netherlands Management  
Company NV  
Herengracht 320  
1017 CA Amsterdam



28 April 1992

## RAND MINES GROUP

## ANNUAL GENERAL MEETINGS

Notice is hereby given that the annual general meetings of the undermentioned companies will be held in the auditorium, Lower Ground Floor, The Corner House, 63 Fox Street, Johannesburg on the dates and at the times shown:

Name of Company (both of which are incorporated in the Republic of South Africa)	Date of Meeting	Time of Meeting	Closure date of Registers of Members (inclusive)
DURBAN ROODEPOORT DEEP LIMITED (Registration No. 01/00226/08)	6.5.92	2.30 PM	28 April to 5 May 1992
EAST RAND PROPRIETARY MINES LIMITED (Registration No. 01/00773/06)	6.5.92	3.30 pm	28 April to 5 May 1992

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote on a poll and speak and act in his stead. A proxy need not be a member of the company.

Holders of shares warrants to bearer who desire to attend or be represented at the meeting must produce their share warrants or a certificate of their holding from a broker or other approved person at the bearer reception office in the United Kingdom, or they must produce their share warrants at the office of the Paris correspondents, in both cases at least five clear business days before the date appointed for the holding of the meeting and shall otherwise comply with the "Conditions governing share warrants" in force. Upon such production a proxy form or an attendance form will be issued under which such share warrant holders may be represented at the meeting.

Registered Office:  
15th Floor  
The Corner House  
63 Fox Street  
Johannesburg 2001

By order of the Board  
Rand Mines (Mining & Services) Ltd  
W.M. JOURTJON  
Administrative Manager  
and Secretary

31 March 1992

## COURIER &amp; EXPRESS SERVICES

The FT proposes to publish this survey on May 15 1992.

The survey will be seen in 160 countries worldwide and will be of special interest to 51,000 readers in the UK who are decision makers on postal despatch and freight services. If you want to reach this important audience, call

Bill Castle  
on 071 873 3760  
or Fax 071 873 3062.

Data source: BM RC Businessman survey 1990

FT SURVEYS

British Gas plc  
"Gas Transportation:  
A Public Consultation  
Document"

British Gas is reviewing procedures for the utilisation and charging of its UK pipeline transportation system. A consultation document setting out our current thinking on the subject is now available.

We welcome the views of interested parties and have set aside the next eight weeks for consultation.

For further information and to obtain a copy of "Gas Transportation: A Public Consultation Document" dial:

FREEPHONE 0800 220 355, or write to John Huggins, British Gas plc, Gas Transportation Services Dept., 22nd floor, Millbank Tower, London SW1P 4QP.

British Gas



## YOU could benefit from an offshore investment in Swiss Francs

Lower interest rates can make it difficult to secure real long-term rates of return, but many investors are now recognising the opportunities provided by bond investments.

Investors around the world choose to hold bond investments denominated in Swiss Francs, a hard currency which has historically enjoyed a low exposure to political and economic risk.

New you can protect a part of your capital from a fall in sterling and obtain the benefit of investing in first-class Swiss Franc denominated bonds - by purchasing units in the conservative investment scheme of B.I.A. Bond Investments AG.

"B.I.A." is a well known Swiss investment company, and its scheme is recognised by the UK Securities and Investments Board, listed on the Luxembourg Stock Exchange, and authorised in Hong Kong.

B.I.A.'s Swiss Franc bond scheme is similar to a unit trust. Investors benefit from any increase in B.I.A.'s Swiss Franc denominated unit prices and from any currency gain that may arise.

B.I.A.'s investment portfolio of first class Swiss Franc bonds and deposits is conservatively managed to maximise capital growth. Income is reinvested.

B.I.A.'s anonymous "bearer" units can be bought or sold at any time. B.I.A.'s prices are quoted daily in the FT in Swiss Francs - each unit now costs about £400.

Further details are available to investors and advisers from B.I.A.'s representatives, International Investment Consultants Ltd., who have approved this advertisement.

Please note that the price of units can go down as well as up, and investors may not get back the amount that they invested. The sterling value of units will increase or decrease depending on exchange rate movements.

Please send me information on B.I.A.  
To: David Burren, Marketing Director, International Investment Consultants Ltd.,  
30 Finsbury Square, London EC2A 1SB.  
Telephone: 071-638 2540 or 071-588 1932. Fax: 071-628 2472.

Mr/Ms/Ms  
Address  
Postcode Telephone

B.I.A. Bond Investments AG, Switzerland

This advertisement is issued in accordance with the regulations of The International Stock Exchange of the United Kingdom and The Republic of Ireland ("the London Stock Exchange"). Application has been made to the London Stock Exchange for the new debenture stock of North East Water plc. From time to time, the London Stock Exchange may require the company to provide further information to its members and the public. The company undertakes to comply with such requirements. It is requested that attention to the Official List will become effective and that dealings in the new debenture stock will commence on Wednesday, 1st April, 1992.

### NORTH EAST WATER plc

(having changed its name by Special Resolution dated 27th February, 1992 from Sunderland and South Shields Water plc)  
Incorporated in England with limited liability by Act of Parliament. Registered in England Number 2580626.

NORTH EAST WATER plc's listed debenture stocks following admission to the Official List will be as follows:-

£ 250,000	of	3.75%	Redeemable Debenture Stock 2012
£ 710,000	of	4.25%	Redeemable Debenture Stock 2012
£ 704,507	of	5.25%	Redeemable Debenture Stock 2012
£ 1,000,000	of	8.00%	Redeemable Debenture Stock 1991/93
£ 1,500,000	of	8.25%	Redeemable Debenture Stock 1992/94
£ 1,000,000	of	8.50%	Redeemable Debenture Stock 1992/94
£ 3,000,000	of	10.30%	Redeemable Debenture Stock 1996
£ 900,000	of	10.50%	Redeemable Debenture Stock (First Series) 1992/94
£ 1,000,000	of	10.50%	Redeemable Debenture Stock (Second Series) 1992/94
£ 5,000,000	of	12.00%	Redeemable Debenture Stock 2004
£ 2,000,000	of	12.00%	Redeemable Debenture Stock 2005
£ 5,000,000	of	12.30%	Redeemable Debenture Stock 1995/97

This application is sponsored by

SEYMOUR PIERCE BUTTERFIELD LIMITED

Details of the new debenture stocks will be included in the Companies Fiches Service available from Eutel Financial Ltd, 37-45 Paul Street, London EC2A 4PB from 3pm Wednesday 1st April, 1992. Copies of the Listing Particulars may be obtained during normal business hours by collection only from the Company Announcements Office, The London Stock Exchange Tower, Capel Court Entrance, Off Bartholomew Lane, London EC2C 2JL until close of business on 3rd April, 1992.

Copies of the Listing Particulars are available at the following addresses during normal working hours, until 15th April, 1992:  
Bankers Trust International plc  
1 Appold Street  
Broadgate  
London  
EC2A 3HE

North East Water plc  
Allendale Road  
Newcastle upon Tyne  
NE6 2SW

1st April, 1992

### U.S. \$40,000,000 Industrial Bank of Finland Ltd. (Suomen Teollisuuspankki Oy) Guaranteed Floating Rate Notes Due 1994



In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 30th March 1992 to 30th September 1992 the Notes will carry an interest rate of 5 1/4% per annum and the Coupon Amount per US\$10,000 will be US\$268.33.

Merrill Lynch International Bank Limited  
Agent Bank

### Nationwide £300,000,000 Floating Rate Notes Due 1996

(Second Series)  
(Issued by Nationwide Building Society)  
Interest Rate:  
10.6425% per annum  
Interest Period:  
31st March, 1992 to  
30th April, 1992  
Interest Amount per  
£5,000 Note due  
30th April, 1992: £43.62  
Interest Amount per  
£50,000 Note due  
30th April, 1992: £436.17  
Agent Bank:  
Boeing Brothers & Co., Limited

### RUSSIA

The FT proposes to publish this survey on May 13, 1992. The survey will be included in the FT of that day and will be printed in London, Frankfurt, Hong Kong, New Jersey and Tokyo. It will be distributed in 140 countries worldwide. For further information about advertising in the survey, please contact Patricia Surridge on London.  
Tel: 011-477 3426  
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(095) 241 24 57

FT SURVEYS

### Electricity Generating Authority of Thailand U.S.\$195,000,000 Floating Rate Notes due 2005 Petroleum Authority of Thailand U.S.\$145,000,000 Floating Rate Notes due 2005

In accordance with the terms and conditions of the above notes, notice is hereby given that for the 6 month interest period from 30 March 1992 to 30 September 1992 (184 days), the notes will carry an interest rate of 5 1/4% per annum.  
The interest payable on the next payment date, 30 September 1992, will be U.S.\$6,708.33 per U.S.\$250,000 nominal amount and U.S.\$134.17 per U.S.\$50,000 nominal amount.



Reference Agent:

## COMPANY NEWS: UK

# BCCI liquidators oppose loan discharge

By Raymond Hughes,  
Law Courts Correspondent

THE LIQUIDATORS of Bank of Credit and Commerce International are opposing a move to discharge a debenture giving the bank a charge over all the assets of Taplute, a company part-owned by Mr Nazam Virani's Control Securities.

The High Court yesterday adjourned Taplute's application to cancel the debenture to enable the liquidators to put in evidence.

The dispute stems from a joint venture in September 1988 between Control Securities and Batace, a company controlled by Mr Ghailth Pharoan, a Saudi businessman who has been named by

the US Federal Reserve as having acted as a front man for BCCI in purchasing stakes in US banks.

The fruit of the joint venture was Taplute, which bought the Ocarina chain of Spanish hotels from Bass, the brewing group, for £45m.

Mr Philip Heslop QC, for Taplute, told the court that Control and Batace each provided £5m for the payment of the first tranche of the purchase price, the £35m balance being guaranteed by BCCI.

As security for that guarantee BCCI was granted a debenture over all Taplute's assets. Taplute had sought discharge of the debenture and offered BCCI the £124,000 due on overdraft which Taplute claimed was all it owed

the bank. However, last month the liquidators had demanded £7.1m, the additional amount representing £5.3m transferred from Batace to Taplute in September 1990, plus interest.

Taplute denied that it was liable for the additional amount. Mr Heslop said. He read evidence in which Mr Virani stated that Taplute's account at BCCI showed that in September 1990 it had received equal contributions from Control and Batace towards the £11.6m second tranche due to Bass.

However, Mr Heslop said, the liquidators claimed to have unequivocal evidence that Batace denied having made any payment in September 1990. That evidence was a letter from Mr

Farouk Zavarh, Mr Pharoan's UK representative, stating that Batace had sold its interest in Taplute to Mr Virani and Control.

Mr Virani denied such a sale had taken place and contended that it would have been inconsistent with an agreement last November between Control, Bellhaven (a Control subsidiary), Batace and Taplute.

Mr Charles Purle QC, for the liquidators, said they regarded the November agreement with a great deal of reserve and suspicion. It appeared to have been entered into to enable Taplute to make primarily to enable Taplute to enter into an agreement with Bass which would give Bass a security covering the same assets as the BCCI debenture.

## The fall into disgrace after a meteoric rise

Philip Rawstone looks at the career of the energetic chairman of Control Securities

THE ARREST of Mr Nazam Virani casts another shadow over the future of Control Securities, the property, leisure and pubs group which he built up. It emerged yesterday that UBS Phillips & Drew, the finance house, had resigned as adviser to the company. However, City analysts believe that, unless hitherto unsuspected black holes are uncovered, it should survive.

Although Mr Virani has been the driving force behind the group's rapid expansion, he has established effective operating managers who are capable of ensuring that the group's trading performance is maintained, analysts say.

The City's view of Control Securities has inevitably been coloured by Mr Virani's high profile leadership. His rise since he arrived in Britain with one suitcase as a refugee from Idi Amin's Uganda in 1972 has been meteoric. It aroused suspicions that he was travelling too far, too fast.

He bought a supermarket in Dulwich, south London, and built up a chain of supermarkets and hotels. In 1978, he bought into a soft drinks manufacturer and turned it round. He tried to do the same at Bel-

haven, a Scottish brewery, becoming chairman in 1984, but he sold it two years later.

In Uganda he had run a property empire - and it was to property he turned again in 1986 when he bought into Control Securities, then a near bankrupt Welsh group. He transformed the group, reducing borrowings and acquiring property in return for paper.

He dealt with some of the biggest operators in the field - John Ritblat, Tony Clegg, and Gerald Ronson - buying "good rubbish" from their portfolios.

In 1988, he picked up the Belhaven brewery again and started to build a large pub estate around it. He bought pubs from Brent Walker and Grand Metropolitan to create an estate of nearly 600 outlets mainly in Scotland, the north of England and the Midlands. The brewery makes six brands of its own beer and undertakes contract brewing for Scottish & Newcastle and Bass.

By 1989, Mr Virani was also developing the hotels side of the business. Bass sold 27 hotels in Spain to a company in which Control had recently increased its stake from 50 per cent to about 75 per cent. In the UK, the group owns a number of hotels including showpiece establishments in London, Folkestone, and Llandudno.

Mr Virani's evident pride in his progress - capped by the award in 1990 of Asian Businessman of the Year - did little to allay concern about the speed of it.

The fund-raising efforts in which he became involved saw him mixing with royalty, politicians and other leading social lights. The City generally remained unimpressed; but Heron Corporation had taken a 16 per cent stake in his company, and GrandMet was happy to accept 3m shares in part payment for its pubs.

Five years of growth, in which Mr Virani had earned



Trevor Humphries

Nazam Virani: built up his property empire by buying 'good rubbish'

100th place in the rank of the UK's richest people, with a family fortune estimated at £20m, ended with the collapse of the property market.

The first shock waves of that had scarcely been absorbed before the collapse of BCCI - one of Control's bankers, a 5.5 per cent shareholder, and the occupant of two of its buildings. A £3.8m provision was made against the exposure.

But neither sentiment nor the share price had recovered before dealings were

suspended last October after detectives from the Serious Fraud Office raided the company's head office.

Since then, Control has reported pre-tax figures for the six months to last September of £4.38m, nearly £10m down. The empire remains largely intact - about 100 properties including offices, shops, industrial and residential premises, 24 hotels, the brewery and 800 pubs. Only one property, in Kensington, London, appears to have been sold, for £2.5m.

The group's debt stands at about £360m but rents and leisure profits were covered, though only just - at the interim by rents and leisure profits. Its banks have continued their support.

Though the property market remains difficult, the group's leisure side, with an improved contribution from its Spanish hotels, lifted interim profits 52 per cent to £11.5m. Analysts rated that a sound performance, and see no reason why it should not continue.

## NEWS DIGEST

### Insurance claim lifts Garton Eng

GARTON Engineering lifted pre-tax profits from £1m to £1.38m in 1991, helped by exceptional receipts from insurers.

The results were considerably influenced by the continuing effect of the fire at the end of 1990. Mr Aubrey Garton, chairman, explained. Given the depressed economic conditions a lower level of profitability would have occurred.

Turnover fell to £19.3m (£22.9m) but the operating surplus moved up to £1.59m (£1.34m). That included £2.6m net surplus on replacement of fixed assets and £1.3m from consequential loss insurance, and was struck after £1.3m restructuring and reorganisation costs. Earnings per share jumped to 25.84p (17.06p). The dividend is again 7p with a final of 5.25p.

### Estates & General dips to £2.3m

Estates & General, the property group, made a "creditable" pre-tax profit of £2.3m in 1991. It was struck after provisions of £900,000 against trading stock and joint venture schemes and writing off all interest.

For the previous year the group made a profit of £2.77m. Gross investment rental income rose by 19 per cent to £8.6m. The level of voids increased but still represented less than 2.5 per cent of the annual rent roll on the established portfolio. Turnover rose to £14.4m (£10.4m) excluding the sale of investment properties.

Rent reviews concluded in the year showed an increase of 84 per cent. The investment property portfolio had been professionally valued at £26.7m, a reduction of 9.1 per cent on a year earlier, after sales and expenditure.

### Borrowings had risen to 125 per cent of shareholders' funds and to 53 per cent of property assets.

Fully diluted earnings per share were 4.59p (4.92p). The proposed final dividend is an unchanged 2.52p to hold the total at 8.75p.

### 39% downturn at John Jacobs

John I Jacobs, the shipping and freight group, returned a pre-tax profit of £612,000 for 1991, a near 39 per cent reduction on the previous 1990,000. Turnover improved from £4.21m to £4.43m. Profit from broking increased substantially to £287,000 (£241,000). But ship-powning turned in losses of £18,000.

Turnover came to £21.7m (£23.2m). Profit was struck after exceptional charges of £215,000 (£158,000). Earnings worked through at 2.385p (2.9p). The final dividend is 1.85p for an unchanged total of 2.4p.



### Lower costs benefit Trafford Park

Lower administration costs and reduced interest charges led to Trafford Park Estates increasing pre-tax profit from £1.44m to £1.62m for the half year to December 31 1991.

Full benefit of the savings was partially offset by charging the interest for the Cambridge Quayside development against profits, when previously it was capitalised. Turnover fell to £4.95m (£5m). Earnings per share were 1.672p (1.435p) and the interim dividend is held at 0.85p.

### Second half surge at Bilston Enamels

Bilston & Battersea Enamels recovered from its interim loss to produce a pre-tax profit of £120,000 from turnover of £3.99m for 1991.

In the previous year the profit was £336,000 from sales of £4.83m. Earnings per share dropped to 2p (5.1p). The dividend is omitted (against a total of 3p) in view of the results and substantial cash outflow at the beginning of 1992 resulting from the new arrangements with Halcrow Days.

Profit in the second half was £172,000 (£114,000) on turnover 9 per cent lower, and was a direct result of further reductions in costs and staffing and

### profits from Fine Ceramic Transfers.

Sales for the first quarter of the current year were ahead of 1991, and the level of new inquiries had also measurably improved, directors stated.

### Mayflower motors to doubled £1.07m

Mayflower Corporation, the financial services and automotive products company, reported pre-tax profits more than doubled at £1.07m in 1991, against £449,000. Gearing was cut from 181 per cent to nil at the year end.

There was a strong performance from the automotive division, which included figures from Motor Panels for four months, towards the end of the year. All companies traded profitably except one of the marketing services offshoots.

However, after an extraordinary charge of £1.44m (£1.85m) relating to business closure costs and the sale of Tri-ang in 1990, the loss for the year was £512,000 (£1.45m).

A dividend is not being recommended but the company said it was proposing a reduction of the share premium account to eliminate the deficit on distributable reserves and payments should resume.

this year.

Group turnover was £27.4m (£13.8m). Earnings per share were 1.91p (1.56p).

### Carpet tile decline hits Gaskell

The decline in the carpet tile market left Gaskell, the Lancashire-based carpet maker, with pre-tax profits down from £1.33m to £255,000 for 1991.

Demand for the company's own brand fell by 23 per cent while other sales fell by 53 per cent. Turnover was down 25 per cent at £30.2m (£40.3m). Interest charges fell to £509,000 (£888,000) as result of lower rates.

Earnings per share were 3.1p (16.1p) but the final dividend is maintained at 8.5p for an unchanged total of 8.5p.

### Inistech improves 14% to £7.09m

Inistech, the Dublin-based disposable products maker, improved pre-tax profits by 14 per cent to £7.09m (£6.6m) in the year to December 31 1991. Profits in 1990 were £5.21m.

Fully diluted earnings rose to 36.4p (33.3p) per share and a dividend of 5.5p (5p) is recommended. Turnover advanced to £240.1m (£233.6m).

## MONTHLY AVERAGES OF STOCK INDICES

	March	February	January	December
Financial Times				
Government Securities	88.81	88.37	87.83	88.71
Fixed Interest	93.53	101.17	99.33	98.92
Ordinary	1946.12	1974.5	1937.8	1954.8
Gold Mines	123.69	137.9	121.1	124.8
SEAQ Bargains(5.00pm)	30.612	30.694	29.697	21.959
E.T. Actuaries				
Industrial Group	1265.54	1302.61	1273.80	1218.37
600 Share	1354.07	1374.45	1358.75	1339.58
Financial Group	700.75	720.37	721.01	701.97
All-Share	1189.04	1218.70	1203.06	1156.90
FT-SE 100	2496.2	2543.3	2620.2	2410.5
FT-SE Eurotrack 100	1155.89	1145.38	1118.77	1048.12
	Highest Mar. close		Lowest Mar. close	
Ordinary	2006.6 (10m)		1903.5 (51m)	
All-Share	1226.54 (10m)		1171.71 (51m)	
FT-SE 100	2574.8 (10m)		2440.1 (51m)	
FT-SE Eurotrack 100	1178.44 (5m)		1142.54 (27m)	



## COMPANY NEWS: UK

Fleet cut by 1,000 but UK average daily rate rises by 11%  
**TIP Europe advances to £3.72m**

TIP EUROPE, the trailer rental group which was refinanced last November, increased pre-tax profit by 51 per cent to £3.72m in the six months to January 31.

On turnover of £54.9m (£53.3m), operating profit declined 12 per cent to £11.3m (£12.8m). Interest costs were cut by £1.1m to £7.5m as the group started to benefit from December's £29.2m rights issue.

Interest cover was one of the stumbling blocks under the group's former multi-option finance facility, since replaced by a more relaxed arrangement with a "club" of eight banks.

The pre-tax line compared with £2.45m last time, although this figure was struck after a restructuring charge totalling £1.68m.

Pre-tax profit in trailer rental declined to £3.5m (£3.1m) on turnover of £38.2m (£39.3m). A fall in profits on the Continent was partially offset by a near £1m turnaround in the UK.

Mr David Callear, chief executive, said the biggest success was an 11 per cent increase in the average daily UK rate. The fleet had been cut from more than 10,000 to less than 9,000, while the proportion utilised had stayed at 73 to 74 per cent.

On the Continent, utilisation had fallen because of the weakness in UK ferry traffic from the Netherlands. In Germany,



David Callear, chief executive, left, with Jim Davis, chairman

some custom had been lost because of constraints on the fleet.

In general leasing, a profit fall in broking was offset by a doubling of profit to £700,000 in the Mobil subsidiary that supplies temporary buildings. Mr Callear said Mobil's market was mushrooming in the former East Germany.

With the help of the rights issue, net debt, including leases and convertible bonds, fell from £168m to £132m, while net assets rose to £72.2m (£42.5m), halving gearing to 183 per cent.

Mr Callear said this was comfortable for a rental/leasing business.

Mr Jim Davis, chairman,

said the group's emphasis had switched from chasing market share to profitability.

On an increased tax rate of 23 (15) per cent, earnings per share rose to 2.56p (2.27p). The interim dividend, which was cut by two thirds last year, is raised to 0.64p (0.56p).

A decision to sell the loss-making truck hire and distribution business led to an extraordinary charge of £540,000.

**COMMENT**  
The last thing TIP wanted after its rescue from near bankruptcy was a deepening of the UK recession. Worries on that score had recently brought the share price down to little more

than the rights issue price of 40p. These results have brought some relief through the elimination of losses in UK trailer rental and evidence of decent cash flow. The group continues to be run on a tight rein, with capital spending only growing to £30m this year.

For the future, if TIP - and its bigger rival Tipbook - can continue to raise rates, the outlook for profitability gets much brighter. With the help of a reduced interest charge, full-year pre-tax profit is expected to rise to about £12m, giving a prospective multiple of less than 7 on yesterday's close of 43p. Although still requiring some boldness, it looks a classic recovery play.

**Watts Blake falls 27% and 'hard year' ahead**

By Roland Rudd

PRE-TAX profits at Watts Blake Bearn, the world's largest supplier of ball clay, fell by 27 per cent, from £7.75m to £5.67m, in the year to December 31.

Mr John Pike, managing director, said the results should be considered against a background of falling demand for ceramic products in most of Europe and North America. Sales, however, rose by 9 per cent to £61.4m (£56.4m).

Exports to the Far East rose by 40 per cent to £4m. The group said it had decided last month to increase its investments in the area underlining its confidence in the future profitability of the Far East operations.

Turnover fell in both the UK and the US, mainly due to the recession on both sides of the Atlantic. In Devon Clays, for example, sales of ball clay for facing bricks and china clay for paper fillers fell significantly.

Trading profit fell from £7.66m to £4.44m. Mr Pike said that while certain markets could start to improve the group was assuming that "another hard year lies ahead".

Net borrowings increased to £10.2m (£4.7m), with interest payable of £746,000 compared to £294,000 received.

Earnings per share fell from 8.6p to 18.9p. However, a final dividend of 6.6p gives an unchanged total of 9.3p.

**Reduced operating costs help Nurdin & Peacock to £27.6m**

By Peggy Hollinger

IMPROVED COST controls helped Nurdin & Peacock, the cash and carry wholesaler, lift pre-tax profits by 7 per cent to £27.6m for the year to December 29.

The result was buoyed by interest receivable of £3.8m, compared with £4.6m last time.

Mr David Poole, managing director, said the company had significantly cut operating costs. For example, wages - which represent about 50 per cent of the company's total costs - fell from 3.1 per cent of total sales to 2.7 per cent.

Turnover advanced by 6.2 per cent to £1.37bn, although on a like-for-like basis volume actually declined by 4.5 per cent. The move to increase

own-brand labels, such as Happy Shopper and Happy Chef, would continue, Mr Poole said. The current proportion of own label - at 22 per cent of turnover - was targeted to rise to 27 per cent.

Net margins were marginally higher at 2.02 per cent. Mr Poole said it was unlikely that, in current trading conditions, margins could be increased this year. "We believe we have got to be competitive and watch the general level of prices," he said. However, the benefits of investment in laser scanning and a move towards central buying were expected to help margins next year.

By 1993, said Mr Poole, all of the branches would be fully converted to laser scanning. During the year, the com-

pany opened three new branches in Chester, Blackpool and Sheffield, which accounted for £80m of the increase in turnover. The new branches are not expected to make a profit for three years.

Capital expenditure was £3m higher at £35m. This year, the company plans to spend £45m opening a further three branches, for a total of 48, and extend the central distribution warehouse in Didcot.

Earnings per share fell from 15.6p to 15p, having been inflated in 1990 by a deferred £1.9m tax credit. Excluding this, earnings per share rose by 1p to 15p. The final dividend is increased in line with profits to 3.6p for a total of 5.56p (5.2p). The shares closed down 8p at 156p.

**AB Electronic loss deepens to £4m**

By Roland Rudd

AB ELECTRONIC Products Group, the electronic components manufacturer, reported a pre-tax loss of £3.95m for the half year to December 31, 1991.

The group warned that it would remain in the red during the second half of the year.

The outcome, which compared with a deficit of £2.03m last time, was struck after an exceptional charge of £1.05m for redundancies and rationalisation.

Sir Peter Phillips, chairman, warned: "While demand in the electronics markets served by

the group has, in general stabilised, there are no signs of recovery.

"The second half made a slow start. The continuing fall in turnover will prevent the group from returning to profitability in 1991-92."

Trading profit slumped from £4.52m to £2.76m on sales of £27.6m (£115.9m).

Losses were 13.7p (8.2p) per share and the interim dividend is again passed.

The components side continued to incur sizeable losses - £1.48m compared to £1.51m. This was mainly as a result of lower defence orders.

Profits from the automotive division fell from £679,000

to £202,000.

That reflected falling orders from the UK luxury car market.

The group blamed competitive conditions in the computer market for the fall from £1.45m to £336,000 in profits from the assemblies division.

Losses in the resale and distribution side were £325,000 (£208,000).

Group borrowings were virtually unchanged at £28.8m.

Mr Paul Ryder, former worldwide director of Chassis Systems, a division of Lucas Industries, has taken over as group managing director following the retirement of Mr Ted Merrett.

**£30m refinancing for Hawthorn Leslie**

By Maggie Urry

HAWTHORN LESLIE, the mobile phone group, has agreed details of a £30m financial restructuring with Svenska Handelsbanken, its bank.

The deal, which is subject to shareholder approval, involves Svenska swapping £18m of the debt for convertible unsecured loan stock.

If the loan stock were converted into ordinary and preference shares, Svenska would hold 29.9 per cent of Hawthorn's equity.

Of the remaining debt, £10m is to be designated as an overdraft while £4.35m is to be a term loan and will be

repaid from disposals and tax rebates.

The restructuring, also involves Svenska waiving interest on the debt, including the loan stock, if it amounts to more than 75 per cent of operating profits.

Hawthorn must, however, pay a minimum of £1m in interest a year.

Svenska said these were the only terms acceptable to it.

Even so, the company said there was a "very narrow margin for contingency" in its projections and it might have to go to Svenska again for further finance.

The aim of the restructuring

is to get the company back to a position where it can service its debt and develop its mobile phone business, which is trading profitably. Its other activities have been sold, for £23m.

When the deal goes through, its balance sheet will show a deficit of £22m, which would fall to £8m if the loan stock is converted.

As such, the group is unlikely to pay dividends "in the foreseeable future".

Mr Andrew Hankley, deputy chairman, who joined the company last spring and has been instrumental to the restructuring deal, is to become chairman.

An incentive scheme based

on share options is to be instituted for the management.

There is a shareholders meeting on April 28, but holders of just over 75 per cent of the shares have given undertakings to vote in favour.

The USM-quoted shares are expected to return from suspension following the meeting and publication of results for 1991.

Hawthorn said trading in the second half of 1991 was encouraging. A change in accounting treatment will mean a restatement of 1990 figures, and reduce the £11.9m loss for the first half of 1991 by £2.4m.

Hill Samuel, the merchant bank, has advised Hawthorn.

**Avonmore Foods rises 22% to £16.3m**

By Tim Coone in Dublin

AVONMORE FOODS, the Irish dairy and food group, yesterday reported a 22 per cent increase in pre-tax profits to £16.3m (£13.3m) for the year to December 28.

Turnover improved to £575.3m (£499.7m). For the first time the company included a breakdown of divisional performance which showed strong growth in dairy products with turnover up to £284.9m (£208.3m) and operating profits advancing to £15.1m (£8.6m).

The meat and agricultural trading divisions both showed slight declines in operating profits, falling to £5.2m (£5.3m) and £6.4m (£6.6m) respectively, although turnover in meat products grew strongly to £109.4m (£93m).

Mr Pat O'Neill, managing director, said that meat margins "came under pressure in 1991 but this follows a very good year in 1990".

He said the balance sheet had been greatly strengthened in the past year, which "provides scope to assess future strategic options with confidence". Bank borrowings were down to £38.7m, representing 23.9 per cent of capital employed, down from 58.9 per cent in 1990.

Earnings per share advanced to 10.88p (9p) and the total dividend is raised to 8p (2.75p) following a proposed final of 1.85p.

Mr O'Neill also announced the group's first investment in continental Europe, giving it a 49 per cent stake in a £250,000 joint venture in Belgium to produce mozzarella cheese for the European market.

He said further market opportunities in Europe were being pursued, adding: "We are ready to move now to larger-scale acquisitions". The company had been studying opportunities in eastern European and had identified Hungary "as the most promising".

**Semi-Tech (Global) Limited**

(A special purpose holding company for the implementation of a business strategy focusing on manufacturing and distribution of consumer durable and electronics)

**Highlights FYE 1992****A Year of Spectacular Growth & Achievements**

- **Turnover** + 9%
- **Net Profit attributable to shareholders** + 70%
- **Total shareholder's fund** + 21%
- **Earnings per share** + 42%
- **Dividend per share** + 41%

- **Remarkable all-round performance by Singer**
- **Singer became a NYSE-listed company**
- **All acquisition-related borrowings retired**

**Message From the Management**

1991 was an exceptional year for Semi-Tech. The flotation of Singer on the New York Stock Exchange marked a turning point for The Singer Company and exemplified how Semi-Tech creates value for its shareholders while pursuing a focused business strategy. Singer is clearly on its way to becoming a NYSE-listed blue-chip company while Semi-Tech's profile is heightened globally.

Other major achievements during 1991, among others, include the total elimination of the Company's acquisition related debt. Our profit for the year hit record high. Excluding non-recourse trading debts of our subsidiaries, total gearing is less than 3%. In the 90's, the overriding priority of the commercial world is "to deleverage". We are proud to report that we now have a virtually leverage-free balance sheet. Our track record of over the past four years (since our listing on The Hong Kong Stock Exchange) demonstrates the fruits of our commitment to our global business strategy. The outlook for the current year remains favourable.

Going forward, we are committed to continuing the aforesaid business strategy while at the same time devoting full efforts to unlock values in Semi-Tech and create wealth for our shareholders.

On a corporate front, we are planning for the following:

- A 20:1 share consolidation
- An ADR program launch
- International roadshow
- Investor relations program

James H. Ting  
Group Executive Chairman  
27th March, 1992

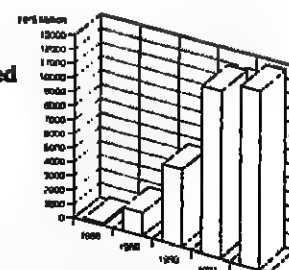
**Results**

(HK\$ million)

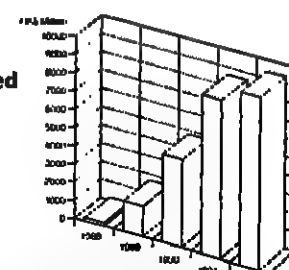
	1992	1991	% change
Turnover	9,371	8,628	9
Profit from consolidated operations	873	492	77
Share of profits of associated companies	110	85	29
Profit before taxation	983	577	70
Taxation	123	121	2
Profit after taxation	860	456	89
Minority interests	89	3	2867
Net profit attributable to shareholders	771	453	70
Earnings per share (HK cents)	17	12	42
Dividends per share (HK cents) - note			
- Interim	1.0	0.7	43
- Final	2.8	2.0	40

Note: The Directors intend to recommend a final dividend of 2.8 cents per share to be paid to shareholders who are on the register of members on 23th May, 1992. The final dividend will be paid to shareholders on 12th June, 1992.

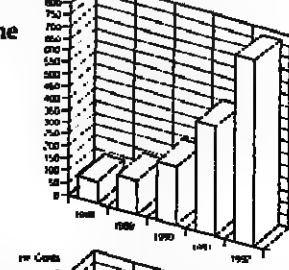
Revenue - Total managed



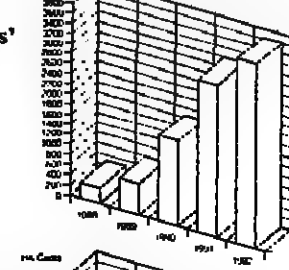
Revenue - Consolidated



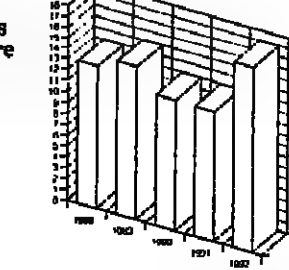
Net Income



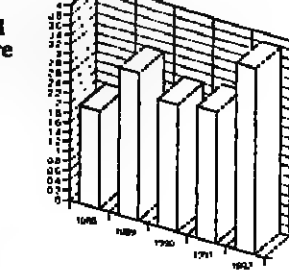
Shareholders' Equity



Earnings Per Share



Dividend Per Share



Principal Assets (ownership %)  
The Singer Company N.V. (51%)  
SSMC Inc. N.V. (100%), Singer Europe (100%)  
Consumers Distributing Inc. (100%)



## EC moving to a decision on farm reform package

By David Gardner in Brussels

THE EUROPEAN Community is set to decide next month whether it can agree on the most radical overhaul of the Common Agricultural Policy in its 30-year history.

At the same time, the Community roundly rejected yesterday's ruling by the General Agreement on Tariffs and Trade that the new EC oilseeds regime discriminated against US soybeans, in a response likely to worsen further the transatlantic conflict over farm trade.

The European Commission and the current Portuguese presidency of the EC are to push for the conclusion of the 14-month negotiations on CAP reform at the next Council of the 12 farm ministers in Luxembourg on April 28.

This followed individual negotiations with each of the ministers late into Monday night. All objections of principle to the Brussels reform blueprint appear to have been set aside, according to Commission officials and senior officials from member states. They stressed, nevertheless, that critical details remained to be tied up in housekeeping that could easily last into June.

"There was a lot of sweat and light," a senior Commission official remarked without a hint of irony. But he cautioned that the farm council had accepted the reform in principle in November, only to have the UK, Netherlands and Denmark resist fundamental

objections earlier this month. The Dutch and Danes now appear willing to negotiate the best outcome for their interests on the details of the reform, their officials say. The British, *de facto*, are doing the same, even though Mr John Gummer, UK farm minister, insisted yesterday that agreement would not be possible if Britain's big farm subsidies were discriminated against.

The reform, in essence, calls for heavy price cuts, with full compensation which medium-to-large farms would only get by setting aside 15 per cent of their land, for which the larger farms would not get recompense. The Commission has persistently argued that the big farmers who benefit most from the CAP budget of Ecu55.3bn (25bn) get about 20 per cent more than they need to remain competitive.

A senior cloud over CAP reform now appears to be the outcome of the Uruguay Round trade liberalisation talks, where final agreement is being held up by the inability of the EC and US to agree on farm subsidy cuts. In particular, they disagree about whether compensation payments under CAP reform would be allowed into the Gatt "green box", permitting subsidies which do not promote production and distort trade.

Ministers yesterday eased their opposition slightly to Gatt's demand that the EC restrict the volume of its subsidised exports, as well as the

amount of the subsidy, indicating that a mix of the two could be acceptable. But the council unanimously rejected a Gatt panel's verdict - formally announced yesterday - outlawing the EC's new oilseeds regime. This regime was designed to comply with an earlier Gatt ruling which found that the EC discriminated against US oilseeds, which are allowed into the Community duty-free under a 1962 Gatt agreement.

Ministers judged that the panel had exceeded its remit in condemning the oilseed subsidies - copied from the CAP reform blueprint - as an incentive to producers. By deriving their judgment from the Uruguay Round conclusions of last December - which the EC has not accepted - the Gatt was prejudging the "green box" negotiations, ministers concluded.

A senior Commission official added that the US attitude to the EC across all the Gatt fronts where the two sides are in dispute was "come out with your hands up".

Mr Gummer argued that US baulking at liberalisation of services within the Uruguay Round was a "stumbling block" to the CAP reform, and warned Washington against bullying.

"The Americans have got to learn that this is an international negotiation in which they are not the imperial power, and we are negotiating with them on equal terms," he said.

## Computer-controlled trucks go for gold

Kenneth Gooding on how Modular Mining dug into the vehicle dispatch business

IT CANNOT be often that a company invests \$2.5m and immediately covers the cost. But that happened when American Barrick Resources, the Canadian gold mining group, bought a computer-based truck dispatch system for its big Goldstrike gold mine in Nevada.

Mr Bob Smith, Barrick's president, recalls: "The package cost \$2.5m and we immediately saved 10 to 15 per cent of our haulage truck requirements. That's three trucks at \$1.4m each."

Then came productivity gains from the system, which enables a central dispatcher to know where every haulage truck and big mechanical shovel is at every second of the working day in the huge open pit. Mr Smith points out: "There's often \$80,000 of gold on one of our 190-tonne trucks. If that's accidentally dumped as waste, that's a big loss. The system double-checks, so there are fewer losses. In mining you've got to roll with the punches. Nothing is ever the way you expect and the computer reacts faster than the human brain."

The truck dispatch system concept is a simple one to link shovels, trucks and dump points at a big mine together using a central computer connected via a radio network to microcomputers on the equipment.

This collects real-time data and makes assignment decisions as well as general reports for management.

But it is far from easy to put the concept into effect. One company, Modular Mining of Tucson, Arizona, seems to have a monopoly.

Mr James White, MM's executive vice-president, says: "Several other companies claim to offer similar technology, but as yet have failed to make a sale. Several mines thought the problem was simple and developed one-of-a-kind, in-house systems over the years. We have replaced such systems in



There is often \$80,000-worth of gold on a 190-tonne truck

Australia, Canada, Papua New Guinea and South Africa.

He says, for example, at RTZ's huge Palabora open pit copper mine in South Africa, where there are three main ore types, numerous dumps, 20 different waste categories, three crushers feeding five storage pads and multiple composite blasts, MM's dispatch system improved productivity by 7 per cent compared with the in-house one it replaced.

The list of MM's new clients last year included De Beers in South Africa, Gemcon in Zaire and Southern Peru Copper, as well as Kennecott, RTZ copper-gold subsidiary, in the US, and Esbo Bay's McCoy Cove gold mine in Nevada.

Use of the system does not, of course, always produce results as dramatic as those at American Barrick. At Kennecott's Bingham Canyon copper mine, the dispatch system was installed last summer because Kennecott believed it could win a modest productivity

improvement, while ensuring that its expensive in-pit ore crusher and conveyor system would always be kept fully occupied. Mr Rod Davey, vice-president and general manager of operations at Bingham, says no substantial improvements could be expected from the truck and shovel fleet, given that the equipment is spread along five miles of

roads in the pit, which is 5,000 feet deep.

Ultimately, the MM system achieved what he expected - a 2 per cent improvement - and, also as predicted, it seems likely to pay for itself in three years.

Mr Davey says his company looked at several potential suppliers for a truck dispatch system "but Modular had a bit of a track record so we chose them".

So success is breeding success. But it took a great deal of tenacity by the founders before MM could build its present monopoly.

Mr White recalls that at one stage in the early days the office drinking-water cooler was removed to save \$7.50 a month. He was a professor of chemical engineering at the University of Arizona's College of Mines and joined up with Phelps Dodge, the biggest copper mining group in the US, to develop the truck dispatch system that was first used in PD's Tyrone mine in 1980 and later at its flagship Morenci mine. It was joined by Mr Michael Arnold, a colleague from the university, who is now MM's president, and Mr Mark Baker, a consulting engineer who represented PD in the early days. Mr Baker is senior vice-president.

MM started in business just

as the mining industry was plunged into the worst recession in living memory. Banks shied away from a company with "mining" in its name but Mr White recalls: "We persevered, tightened our belts, took sizeable salary cuts, watched every dime - that's when the water cooler was removed, and used home equity, personal revolving lines of credit and personal credit cards to provide needed cash flow."

MM completed a survey in 1982 which showed that there were then only 370 mines of a size to justify the use of its technology. With such a small prospective client base, it decided to contact companies directly. Eventually this paid off with the first contract outside the PD organisation - with Quintette Coal for its Tumbler Ridge mine in British Columbia in January, 1983.

During these direct contacts Mr White emphasises that the system, which MM calls, would you believe, Dispatch, can help to manage almost the entire mining operation once installed. It picks the best haul routes in open pit mines. It monitors pit disturbances and adjusts the haulage flow pattern to exploit present mine conditions. It tracks equipment delays and equipment breakdowns, adjusting its instructions to compensate.

Management can ask the system "what if" questions to see how changes such as big shovel moves, new dump placements, digging rate variations and shovel priority schemes, would affect production.

Dispatch also allows management to determine truck and shovel efficiencies by fleet or by individual items of equipment and to analyse each segment of the haulage cycle to evaluate the performance of tyres, engine parts and so on. The system monitors vital signs on vehicles, such as oil pressure, wheel motor currents, so that maintenance personnel can monitor a vehicle while it is working and spot

potential problems before they cause expensive downtime, says Mr White.

However, Kennecott's Mr Davey points out that there is a danger of the user being swamped by all this. "It can become a question of doing less and less with more and more data," he says. "The system is not a panacea. Management must continue to manage."

There is also a potentially controversial aspect to the system. It might well be seen as a "spy in the cab" or part of a regime where "Big Brother" is watching the drivers. Mr White says one of its benefits is that "Dispatch watches operator actions. Drivers can no longer grab an extra ten minute smoke break at a far dump. The system alerts the dispatcher within seconds whenever the operator is late."

However, Mr Davey at Kennecott suggests that a majority of his drivers have welcomed the system. "It gives them something to fool with and they feel more a part of the team. It sometimes gets boring in those cabs. Also we never use the system to compare the performance of one driver with another."

At American Barrick, Mr Smith also says the system need not necessarily sap employee morale. "Okay, it stops drivers taking some sneaky time out but it also tells them when they must take a break - sometimes when the supervisor might want them to keep working," he points out.

American Barrick also arranged for employees to benefit from the productivity gains arising from the use of Dispatch. A bonus system was implemented based on the tonnes of ore mined, ounces of gold produced, the mine's safety record and production cost. This has been giving drivers an extra \$240 each a month to add to their basic pay of \$18 an hour.

## Soviet collapse hinders metal projects

THE COLLAPSE OF the former Soviet Union is having a widespread negative impact on mining and metal projects. Outokumpu, the state-owned Finnish group, said yesterday its \$600m offer to renew the Pechengazhnik smelter, part of the Norilsk nickel combine in Russia, had lapsed.

Technical details had been agreed but Russia's take-over had delayed financial arrangements. Norilsk had asked the

Russian authorities to be allowed to keep all its foreign currency earnings and to be able to export its metal tariff-free for some time to pay for the smelter's refurbishment, Outokumpu said.

Meanwhile, Ukrainian officials have indefinitely delayed a bauxite mining joint venture in Jamaica. The Nikolaev alumina plant in the Ukraine and a US company were to have refurbished the former Rey-

olds Metals mine in Lydford for \$50m. Mining should have started next year at an annual 1.5m, rising to 2.5m tonnes.

Russia's gold industry suffered from obsolete equipment, shortages of spare parts, energy and raw materials and loss of staff, said Mr Alexandre Doumoulin, formerly a director of the Soviet state bank. He said gold production had stagnated for two years and was now likely to decline.

## LME aluminium stocks show first fall since August

By Kenneth Gooding, Mining Correspondent

ALUMINIUM STOCKS in London Metal Exchange warehouses have fallen for the first time since early August but analysts suggested yesterday this did not mark the start of a downward trend.

Mr Nick Moore, analyst at Ord Minnett, part of the Westpac banking group, said the 425-tonne fall was "a milestone" but cautioned that there was still a great deal of Russian aluminium to be exported to the west to swell stocks this year.

Mr Angus MacMillan, analyst at Billiton International Metals, a member of the Royal Dutch/Shell group, said the

outlook for aluminium demand in the second quarter was not particularly bright.

Even if production stayed flat, demand would have to rise 2.5 per cent this year just to hold stocks at present levels, he pointed out.

The market was anticipating a bigger stocks fall and aluminium for delivery in three months closed \$2.25 a tonne down last night at \$1,318. This was nearly \$235 a tonne above the lowest price reached in the present

recession, in late December.

This week's stock fall came about because less metal arrived in European warehouses, and there were withdrawals from LME north American warehouses.

Demand is certainly picking up in the US. Mr Paul O'Neill, chairman of Alcoa, the biggest north American aluminium group, said recently that volumes were up across the board in January and February and bookings from makers of cars, cars and consumer durables

and from the building and construction sector had all increased.

Alcoa had contacted some of its clients and they had all said their buying was backed by a genuine improvement in US demand.

While Alcoa did not want to give exact details for commercial reasons, Mr O'Neill said that, if the group's orders in August last year were at 50 on an index, from November to February the index would be 120 to 125.

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### MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

**ANTIMONY:** European free market, 98.6 per cent, \$ per tonne, in warehouse, 1,880-1,790 (1,850-1,730).

**BISMUTH:** European free market, 99.9 per cent, \$ per lb, in warehouse, 2,40-3.00 (same).

**CADMIUM:** European free market, 99.5 per cent, \$ per lb, in warehouse, 0.90-1.10 (same).

**COBALT:** European free market, 99.5 per cent, \$ per lb, in warehouse, 27.00-28.00 (same).

**MERCURY:** European free market, 99.9 per cent, \$ per 76 lb flask, in warehouse, 115-125 (same).

**MOLYBDENUM:** European free market, drummed molybdenic oxide, \$ per lb Mo, in warehouse, 2.12-2.18 (2.15-2.20).

**SELENIUM:** European free market, 99.5 per cent, \$ per lb, in warehouse, 4.50-5.50.

**TUNGSTEN ORE:** European free market, standard min. 65 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 55-68 (same).

**VANADIUM:** European free market, 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 2.10-2.25 (2.15-2.25).

**URANIUM:** Nuxeo exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 8.00 (same).

### WORLD COMMODITIES PRICES

#### MARKET REPORT

PLATINUM stood out in a lacklustre precious metals market yesterday, with the price putting on a \$4.25 at \$355 a troy ounce. Traders attributed the rise to a sales report by Russia's Almazayevillexport saying it would retain its monopoly on exports of platinum group metals. "The market was just relieved that the platinum will remain in secure hands and traded up in the absence of anything else to go on," one dealer explained. Earlier news that Russia was giving its foreign trade bank a monopoly on gold sales raised concerns that

Almaz might lose control of platinum and that supplies of the white metal might be allowed to flood on to the market. Constructive US economic indicators helped most base metals prices to end firm at the London Metal Exchange. The most notable rise was in the NICKEL market, where the cash quotation closed \$60 up at \$7,400 a tonne on constructive chart signals, taking it out of its recent narrow trading range. COFFEE prices fell further in the morning but steadied in the afternoon in what traders saw as a technical correction.

Compiled from Reuters

#### London Markets

##### SPOT MARKETS

Crude oil (per barrel FOB) + 0.10

Dubai \$16.00-0.05 + 0.10

Brent Blend (dated) \$16.00-0.15 + 0.15

Brent Blend (May) \$16.00-0.15 + 0.15

WTI (1st strip) \$16.00-0.15 + 0.15

Oil products

(NHE prompt delivery per tonne CIF) + 0.10

Premium Gasoline \$16.00-0.15 + 0.15

Gas Oil \$16.00-0.15 + 0.15

Heavy Fuel Oil \$16.00-0.15 + 0.15

Naphtha \$16.00-0.15 + 0.15

Petroleum Argus Estimates.

Other

Gold (per troy oz) \$342.55 + 0.88

Silver (per troy oz) \$14.50 + 0.10

Platinum (per troy oz) \$355.00 + 0.15

Palladium (per troy oz) \$85.00 + 0.45

Copper (LSE Producer) 105.85 + 0.05

Lead (US Producer) 37.00 - 0.37

Tin (Kuala Lumpur Market) 14.10 0.13

Tin (New York) 26.50 0.13

Zinc (US Prime Western) 62.00 0.10

Cattle (live weight) 109.37p + 0.04

Sheep (live weight) 88.20p + 1.10

Pigs (live weight) 97.85p + 0.08

London daily sugar (raw) \$214.10 + 1.8

London daily sugar (white) \$214.10 + 1.8

#### COFFEE - London FOX

Close Previous High/Low

May 190.00 190.00 190.00 188.40

Aug 191.00 191.00 191.00 190.20

Oct 191.00 191.00 191.00 190.20

White Close Previous High/Low

May 271.00 271.00 271.00 268.80

Aug 271.00 271.00 271.00 268.80

Oct 271.00 271.00 271.00 268.80

Turnover: 879 (284) lots of 50 tonnes

White 1015 (191)

Pure White (191) May 154.84 Aug 154.84 Oct 154.84

COFFEE - London FOX

Close Previous High/Low

May 818 818 818 816

Aug 818 818 818 816

Oct 818 818 818 816

May 818 818 818 816

Aug 818 818 818 816

Oct 818 818 818 816

May 818 818 818 816

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May 818 818 818 816

Aug 818 818 818 816

Oct 818 818 818 816

May 818 818 818 816

Aug 818 818 818 816

Oct 818 818 818 816

#### SOYBEAN - London FOX

Close Previous High/Low

May 599 599 599 597

Aug 599 599 599 597

Oct 599 599 599 597

May 599 599 599 597

Aug 599 599 599 597

Oct 599 599 599 597

May 599 599 599 597

Aug 599 599 599 597

Oct 599 599 599 597

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Oct 59



FINANCIAL TIMES STOCK INDICES												
	Mar 31	Mar 30	Mar 27	Mar 26	Mar 25	Year Ago	High	1981-92 Low	Since 1981	Companion	Low	
<b>Government Secs</b>	55.31	55.74	55.03	55.93	56.14	56.56	58.55	52.17	127.40	49.16		
							(126/128)	(22/91)	(9/81)	(21/75)		
<b>Fixed Interest</b>	96.05	96.72	96.75	98.98	99.55	94.77	101.55	90.58	166.40	50.53		
							(132/82)	(21/91)	(29/11/91)	(31/1/79)		
<b>Ordinary Share</b>	930.55	1916.1	1914.9	1938.3	1925.9	2007.2	2108.3	1606.3	2108.3	48.4		
							(2/9/91)	(16/1/91)	(2/9/91)	(26/8/40)		
<b>Unit Mined</b>	120.9	120.2	118.6	120.8	121.3	138.5	222.8	118.0	73.7	43.3		
							(11/7/91)	(17/3/92)	(15/2/83)	(26/10/71)		
<b>FT-SE 100 Share</b>	3440.1	2452.9	2447.3	2472.2	2464.8	2624.5	2942.5	2062.5	2942.5	585.3		
							(2/9/91)	(16/1/91)	(2/9/91)	(23/8/74)		
<b>FT-SE Eurotrack 200</b>	1159.94	1156.46	1153.31	1161.05	1156.54	1163.53	1200.08	938.62	1200.08	936.82		
							(4/3/92)	(16/1/91)	(4/3/92)	(16/1/91)		
<b>Ord. Div Yield</b>	4.70	4.58	4.59	4.64	4.66	4.62	1000 Short Secs 10/10/92	Fixed Inc. 10/28				
<b>Earning Ytd % (ytd)</b>	6.79	6.78	6.77	6.69	6.69	6.72	17/35	1000 Short Secs 12/9/92	Fixed Inc. 1000 FT-SE 100 21/10/83			
<b>P/E Ratio(Nxt)</b>	11.50	10.57	10.57	10.79	10.79	10.58	8.42	14.13	14.13	14.13		
							FT-SE Eurotrack 200 10/10/92	21/10/83				
<b>SEAD Shares 5.00pm</b>	35.216	29.299	26.493	28.610	28.610	26.62934						
<b>Equity Turnover(£m)</b>		639.9	112.95	130.08	822.3	1129.87						
<b>Equity Bargain</b>		33.584	31.355	32.664	30.741	63.999						
<b>Shares Traded (m)</b>		407.8	497.7	499.1	49.3	595.2						
<b>Ordinary Share Index, Hourly changes</b>	Day's High 1252.3						Day's Low 1502.5					
<b>Open</b>	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm	5 pm			
<b>1020.4</b>	12617.1	1818.2	1912.2	1907.8	1908.2	1908.8	1908.4	1905.6				
<b>Gilt Edged</b>	Day's High 122.5						Day's Low 73.6					
<b>Bargains</b>	Day's High 122.5						Day's Low 73.6					
<b>5-Day average</b>	Day's High 120.5						Day's Low 128.5					
<b>FT-SE 100, Hourly changes</b>	Day's High 2455.6						Day's Low 2439.8					
<b>Open</b>	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm	5 pm			
<b>2458.4</b>	2461.2	2465.7	2447.9	2442.2	2443.1	2444.7	2443.0	2441.4				
<b>FT-SE Eurotrack 200, Hourly changes</b>	Day's High 1158.1						Day's Low 1156.92					
<b>Open</b>	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm	5 pm			
<b>1156.72</b>	1160.19	1158.31	1159.34	1159.30	1159.90	1159.39	1158.59	1158.59				

**GILT EDGED ACTIVITY**

**Indices\*** Mar 30 Mar 27

Gilt Edged Bargains 122.5 73.6

5-Day average 120.5 128.5

\*SE Activity 1974, Excluding intra-market London and Overseas turnover.

London report and latest Share indicator.

Tel. 0800 123001 Gilt's change at 36p/m, market cheap rate, 48p/m at all other times.

[illegible]

In the traded options market, there was active business in the FT-SE 100 option, which recorded a day's total of 16,375 lots. Barclays was the top-traded equity option, with the September 330 calls particularly active.

Troubled conglomerate Lloyds was also in demand, with the June 70 puts prominent. Yesterday's total turnover was £1,784, up 4,332 on the previous session.

	Mon Mar 30	Fri Mar 27	Mon Mar 26	Year ago (approx)
Ind. %	Index No.	Index No.	Index No.	Index No.
7.91	787.05	785.19	788.44	875.01
7.26	945.26	945.26	949.00	1130.62
8.17	876.97	871.31	881.54	1,406.43
9.37	2365.39	2361.29	2382.21	2,450.34
10.26	738.26	717.87	718.69	1,067.52
10.55	335.41	337.13	337.30	540.60
10.86	486.96	490.46	489.83	463.14
10.92	31.76	31.22	31.10	505.47
11.01	309.53	310.20	313.13	353.76
11.04	141.91	139.99	140.52	132.68
11.27	1638.27	1516.21	1519.92	1,045.81
11.28	2025.12	2032.91	2044.55	1,787.74
11.31	1229.67	1230.80	1235.20	1,296.25
11.32	2588.32	2591.37	2588.33	2,552.49
11.38	8493.89	8473.13	8437.13	9,241.47
11.45	1253.38	1252.75	1257.35	1,374.04
11.48	1501.49	1499.78	1508.98	1,474.81
11.57	749.74	749.73	744.20	633.68
11.59	101.91	98.02	100.92	88.51
11.69	545.26	546.16	543.70	553.32
11.76	1172.92	1173.12	1183.33	1,198.41
11.88	1279.28	1279.23	1287.02	1,280.43
11.91	1449.75	1449.02	1456.98	1,482.11
11.98	1313.37	1313.20	1326.03	1,570.79

1988	1308.74	1317.14	1336.76	1390.13
1989	1292.11	1291.71	1298.45	1302.78
1990	1286.86	1286.74	1293.65	1292.84
1991	1263.59	1262.28	1272.16	1273.85
1992	1295.89	1296.78	1294.75	1253.33
1993	1332.13	1339.27	1339.96	1327.45
1994	1376.69	1376.07	1399.05	1392.20
1995	1391.43	1384.58	1371.78	1318.61
1996	1392.11	1293.71	1327.45	1325.74
1997	1401.50	1448.58	1423.43	1449.50
1998	1421.38	1421.43	1416.36	1417.64
1999	1425.25	1427.24	1427.92	1431.66
2000	1432.32	1433.94	1462.37	1461.04
2001	1431.33	1429.47	1430.12	1434.40
2002	1434.34	1447.81	1456.62	1459.22
2003	1477.04	1476.13	1485.64	1475.38
2004	1476.25	1476.25	1485.74	1485.38
2005	1476.25	1484.91	1485.74	1486.31

	Tue Mar 20	Mon Mar 20	Year Mar 20 (average)
0 yrs.	3.25	9.22	9.39
1 yrs.	9.60	9.60	9.60
2 yrs.	9.60	9.60	9.73
3 yrs.	10.05	10.06	10.20
4 yrs.	9.72	9.70	10.03
5 yrs.	9.65	9.61	9.88
6 yrs.	10.31	10.26	10.34
7 yrs.	9.87	9.81	10.21
8 yrs.	9.77	9.76	10.16
9 yrs.	9.78	9.81	9.96

	Mar 20	Mar 20	Mar 20
up to 5 yrs.	4.80	3.79	3.73
over 5 yrs.	4.57	4.57	4.14
up to 5 yrs.	3.11	3.10	2.90
over 5 yrs.	4.39	4.38	3.95
5 years	11.30	11.27	11.84
10 years	11.06	11.07	11.64
15 years	10.87	10.93	11.45

2044.4; 7: 2.30 min 2444.7; 3 min 2443.0;  
and, changes are published in Saturday  
theatre Bridge, London SE1 9HL. The  
to these indices. These are available by  
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Date signed BVPC Bulletin 19 June 1998

**FT SURVEYS**

THE AETNA INTERNATIONAL UMBRELLA FUND  
SOCIÉTÉ D'INVESTISSEMENT À CAPITAL VARIABLE  
47, BOULEVARD ROYAL, L-3449 LUXEMBOURG  
R.C. LUXEMBOURG B 27471

Notice is hereby given to all shareholders of the AETNA INTERNATIONAL UMBRELLA  
FUND that a dividend has been paid on March 31, 1992 with a reinvestment date of March 31,  
1992 to all the shareholders of record on December 31, 1991.

The dividend rate for each fund is as follows:

U.S. Equity Funds	0.0799	US Dollar Bond Fund	0.1700
American Income & Growth Fund	0.2472	Yen Bond Fund	8.5611
European Income & Growth Fund	0.0880	Deutschebank Liquid Reserve Fund	0.2966
U.K. Income & Growth Fund	0.5676	Starling Liquid Reserve Fund	0.2370
Australian Dollar Bond Fund	0.5320	US Dollar Liquid Reserve Fund	0.9951
Canadian Dollar Bond Fund	0.3080	Yen Liquid Reserve Fund	0.7300
Deutschebank Bond Fund	0.1316		

By order of the Board of Directors







## 33

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[illegible]



## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Good news fails to lift dollar

GOOD NEWS on the US economy failed to push the dollar through a DM1.6510 ceiling in London, yesterday, writes Emma Tucker.

Consumer confidence in the US in March rose to a rating of 54.0 from a revised 47.3 in February, the highest reading since October. Meanwhile the Chicago Purchasing Management index rose to a seasonally adjusted 51.1 per cent in March from 48 per cent in February.

However, both sets of data, along with a 0.8 per cent rise in February's leading indicator, were broadly in line with expectations and failed to excite the currency markets.

After spending most of the day at DM1.64, speculative buying along with the three pieces of good economic news pushed the dollar to a peak. But a big sale order coming out of New York knocked it back to close at DM1.6450, little changed from its DM1.6440 start.

In late Asian trading the dollar had eased slightly against the yen and the D-mark. A dealer at a Japanese bank in Hong Kong said the market had lacked a trend all day, with the closing movements amounting to minor adjustments ahead of Japan's new fiscal year that begins today.

The dollar closed in Tokyo at ¥133.05 and DM1.6485. In New York the dollar traded virtually unchanged, opening at DM1.6430/35 and ¥133.10/20 compared with Monday's close of DM1.6435/35 and ¥133.00/05.

The Italian lira came under light selling pressure amid political uncertainty. Like Britain, Italy is poised for a general election which takes place at the weekend. Investors will be looking for a commitment to reduce the country's big public sector deficit.

"If the prospect of a strong coalition seems in doubt, the pressure could pile on the lira in the coming weeks," said one economist.

Mr Peter Luxton, senior economist at Barclays said he believed there was pent-up demand for sterling and the lira and that talk of a sterling

crisis after the election was overdone, particularly given the constraints of the ERM.

"Once the elections are out of the way, we expect to see both currencies bounce up," he said.

The lira weakened against the D-mark to L754.80/70 from L754.60/70 on Monday night. Sterling drifted through another lacklustre session. With only nine days left until polling day the market still has no firm indication of who is going to win the election.

"People have postponed their investment decisions until the future shape of the government becomes clear and sterling's uneasy stability reflects this," said one UK bank trader.

The pound closed half a penny down at DM2.8550 from DM2.8600.

Despite political jitters in France, the French franc held a steady tone.

POUND SPOT - FORWARD AGAINST THE POUND									
Mar 31	Day's	One	Three	Six	12	18	24	36	48
	Month	Month	Months	Months	Months	Months	Months	Months	Months
US	1.7500	1.7500	1.7500	1.7500	1.7500	1.7500	1.7500	1.7500	1.7500
Canada	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500	1.2500
France	1.6450	1.6450	1.6450	1.6450	1.6450	1.6450	1.6450	1.6450	1.6450
Germany	2.8550	2.8550	2.8550	2.8550	2.8550	2.8550	2.8550	2.8550	2.8550
Italy	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000	1.1000
Japan	133.10	133.10	133.10	133.10	133.10	133.10	133.10	133.10	133.10
Spain	165.00	165.00	165.00	165.00	165.00	165.00	165.00	165.00	165.00
Sweden	10.5000	10.5000	10.5000	10.5000	10.5000	10.5000	10.5000	10.5000	10.5000
Switzerland	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500	1.4500
UK	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

EMS EUROPEAN CURRENCY UNIT RATES						
	Ecu Central Rates	Germ. Marks Against Ecu Mar. 21	% Change from Central Rate	% Change from U.S. Dollar	Differences involvement	
Spanish Peseta	133.631	125.120	-6.37	6.14	59	
Italian Lira	48.362	48.637	-0.56	3.45	39	
Dutch Guilder	2.33642	2.29965	-1.52	3.31	34	
Belgian Franc	36.363	36.274	-0.24	2.31	23	
Irish Punt	16.7617	16.7669	-0.03	2.62	25	
Portuguese Escudo	1526.24	1541.27	-0.23	2.13	15	
French Franc	6.55958	6.55958	0.00	1.86	18	
Denmark Kroner	7.91919	7.92671	-0.09	1.66	16	
Swedish Krona	6.46084	6.72742	-2.54	0.60	-26	

Ecu central rates set by the European Communities. Conversions are in descending numerical strength. Percentage changes are calculated on the medium-term rate of the Ecu against the dollar. Percentages in parentheses are the percentage difference between the actual spot and Ecu central rates for a currency, and the equivalent percentage percentage deviation of the currency's market rate from its Ecu central rate.

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$\Phi \quad \Phi \quad 3$ 

CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
TORONTO																	
2:00 pm prices March 31																	
Quotations in cents unless marked \$																	
1600 Asmco	515	15	15	15	1/2	1600 Asmco	515	15	15	15	1/2	1600 Asmco	515	15	15	15	1/2
4000 AgriCorp	475	470	475	475	1/2	4000 AgriCorp	475	470	475	475	1/2	4000 AgriCorp	475	470	475	475	1/2
7000 Air Cdn	56	54	54	54	1/4	7000 Air Cdn	56	54	54	54	1/4	7000 Air Cdn	56	54	54	54	1/4
4100 Alcan	514	18	18	18	1/4	4100 Alcan	514	18	18	18	1/4	4100 Alcan	514	18	18	18	1/4
5000 Alcan	514	18	18	18	1/4	5000 Alcan	514	18	18	18	1/4	5000 Alcan	514	18	18	18	1/4
6000 Alcan	514	18	18	18	1/4	6000 Alcan	514	18	18	18	1/4	6000 Alcan	514	18	18	18	1/4
7000 Alcan	514	18	18	18	1/4	7000 Alcan	514	18	18	18	1/4	7000 Alcan	514	18	18	18	1/4
8000 Alcan	514	18	18	18	1/4	8000 Alcan	514	18	18	18	1/4	8000 Alcan	514	18	18	18	1/4
9000 Alcan	514	18	18	18	1/4	9000 Alcan	514	18	18	18	1/4	9000 Alcan	514	18	18	18	1/4
10000 Alcan	514	18	18	18	1/4	10000 Alcan	514	18	18	18	1/4	10000 Alcan	514	18	18	18	1/4
11000 Alcan	514	18	18	18	1/4	11000 Alcan	514	18	18	18	1/4	11000 Alcan	514	18	18	18	1/4
12000 Alcan	514	18	18	18	1/4	12000 Alcan	514	18	18	18	1/4	12000 Alcan	514	18	18	18	1/4
13000 Alcan	514	18	18	18	1/4	13000 Alcan	514	18	18	18	1/4	13000 Alcan	514	18	18	18	1/4
14000 Alcan	514	18	18	18	1/4	14000 Alcan	514	18	18	18	1/4	14000 Alcan	514	18	18	18	1/4
15000 Alcan	514	18	18	18	1/4	15000 Alcan	514	18	18	18	1/4	15000 Alcan	514	18	18	18	1/4
16000 Alcan	514	18	18	18	1/4	16000 Alcan	514	18	18	18	1/4	16000 Alcan	514	18	18	18	1/4
17000 Alcan	514	18	18	18	1/4	17000 Alcan	514	18	18	18	1/4	17000 Alcan	514	18	18	18	1/4
18000 Alcan	514	18	18	18	1/4	18000 Alcan	514	18	18	18	1/4	18000 Alcan	514	18	18	18	1/4
19000 Alcan	514	18	18	18	1/4	19000 Alcan	514	18	18	18	1/4	19000 Alcan	514	18	18	18	1/4
20000 Alcan	514	18	18	18	1/4	20000 Alcan	514	18	18	18	1/4	20000 Alcan	514	18	18	18	1/4
21000 Alcan	514	18	18	18	1/4	21000 Alcan	514	18	18	18	1/4	21000 Alcan	514	18	18	18	1/4
22000 Alcan	514	18	18	18	1/4	22000 Alcan	514	18	18	18	1/4	22000 Alcan	514	18	18	18	1/4
23000 Alcan	514	18	18	18	1/4	23000 Alcan	514	18	18	18	1/4	23000 Alcan	514	18	18	18	1/4
24000 Alcan	514	18	18	18	1/4	24000 Alcan	514	18	18	18	1/4	24000 Alcan	514	18	18	18	1/4
25000 Alcan	514	18	18	18	1/4	25000 Alcan	514	18	18	18	1/4	25000 Alcan	514	18	18	18	1/4
26000 Alcan	514	18	18	18	1/4	26000 Alcan	514	18	18	18	1/4	26000 Alcan	514	18	18	18	1/4
27000 Alcan	514	18	18	18	1/4	27000 Alcan	514	18	18	18	1/4	27000 Alcan	514	18	18	18	1/4
28000 Alcan	514	18	18	18	1/4	28000 Alcan	514	18	18	18	1/4	28000 Alcan	514	18	18	18	1/4
29000 Alcan	514	18	18	18	1/4	29000 Alcan	514	18	18	18	1/4	29000 Alcan	514	18	18	18	1/4
30000 Alcan	514	18	18	18	1/4	30000 Alcan	514	18	18	18	1/4	30000 Alcan	514	18	18	18	1/4
31000 Alcan	514	18	18	18	1/4	31000 Alcan	514	18	18	18	1/4	31000 Alcan	514	18	18	18	1/4
32000 Alcan	514	18	18	18	1/4	32000 Alcan	514	18	18	18	1/4	32000 Alcan	514	18	18	18	1/4
33000 Alcan	514	18	18	18	1/4	33000 Alcan	514	18	18	18	1/4	33000 Alcan	514	18	18	18	1/4
34000 Alcan	514	18	18	18	1/4	34000 Alcan	514	18	18	18	1/4	34000 Alcan	514	18	18	18	1/4
35000 Alcan	514	18	18	18	1/4	35000 Alcan	514	18	18	18	1/4	35000 Alcan	514	18	18	18	1/4
36000 Alcan	514	18	18	18	1/4	36000 Alcan	514	18	18	18	1/4	36000 Alcan	514	18	18	18	1/4
37000 Alcan	514	18	18	18	1/4	37000 Alcan	514	18	18	18	1/4	37000 Alcan	514	18	18	18	1/4
38000 Alcan	514	18	18	18	1/4	38000 Alcan	514	18	18	18	1/4	38000 Alcan	514	18	18	18	1/4
39000 Alcan	514	18	18	18	1/4	39000 Alcan	514	18	18	18	1/4	39000 Alcan	514	18	18	18	1/4
40000 Alcan	514	18	18	18	1/4	40000 Alcan	514	18	18	18	1/4	40000 Alcan	514	18	18	18	1/4
41000 Alcan	514	18	18	18	1/4	41000 Alcan	514	18	18	18	1/4	41000 Alcan	514	18	18	18	1/4
42000 Alcan	514	18	18	18	1/4	42000 Alcan	514	18	18	18	1/4	42000 Alcan	514	18	18	18	1/4
43000 Alcan	514	18	18	18	1/4	43000 Alcan	514	18	18	18	1/4	43000 Alcan	514	18	18	18	1/4
44000 Alcan	514	18	18	18	1/4	44000 Alcan	514	18	18	18	1/4	44000 Alcan	514	18	18	18	1/4
45000 Alcan	514	18	18	18	1/4	45000 Alcan	514	18	18	18	1/4	45000 Alcan	514	18	18	18	1/4
46000 Alcan	514	18	18	18	1/4	46000 Alcan	514	18	18	18	1/4	46000 Alcan	514	18	18	18	1/4
47000 Alcan	514	18	18	18	1/4	47000 Alcan	514	18	18	18	1/4	47000 Alcan	514	18	18	18	1/4
48000 Alcan	514	18	18	18	1/4	48000 Alcan	514	18	18	18	1/4	48000 Alcan	514	18	18	18	1/4
49000 Alcan	514	18	18	18	1/4	49000 Alcan	514	18	18	18	1/4	49000 Alcan	514	18	18	18	1/4
50000 Alcan	514	18	18	18	1/4	50000 Alcan	514	18	18	18	1/4	50000 Alcan	514	18	18	18	1/4
51000 Alcan	514	18	18	18	1/4	51000 Alcan	514	18	18	18	1/4	51000 Alcan	514	18	18	18	1/4
52000 Alcan	514	18	18	18	1/4	52000 Alcan	514	18	18	18	1/4	52000 Alcan	514	18	18	18	1/4
53000 Alcan	514	18	18	18	1/4	53000 Alcan	514	18	18	18	1/4	53000 Alcan	514	18	18	18	1/4
54000 Alcan	514	18	18	18	1/4	54000 Alcan	514	18	18	18	1/4	54000 Alcan	514	18	18	18	1/4
55000 Alcan	514	18	18	18	1/4	55000 Alcan	514	18	18	18	1/4	55000 Alcan	514	18	18	18	1/4
56000 Alcan	514	18	18	18	1/4	56000 Alcan	514	18	18	18	1/4	56000 Alcan	514	18	18	18	1/4
57000 Alcan	514	18	18	18	1/4	57000 Alcan	514	18	18	18	1/4	57000 Alcan	514	18	18	18	1/4
58000 Alcan	514	18	18	18	1/4	58000 Alcan	514	18	18	18	1/4	58000 Alcan	514	18	18	18	1/4
59000 Alcan	514	18	18	18	1/4	59000 Alcan	514	18	18	18	1/4	59000 Alcan	514	18	18	18	1/4
60000 Alcan	514	18	18	18	1/4	60000 Alcan	514	18	18	18	1/4	60000 Alcan	514	18	18	18	1/4
61000 Alcan	514	18	18	18	1/4	61000 Alcan	514	18	18	18	1/4	61000 Alcan	514	18	18	18	1/4
62000 Alcan	514	18	18	18	1/4	62000 Alcan	514	18	18	18	1/4	62000 Alcan	514	18	18	18	1/4
63000 Alcan	514	18	18	18	1/4	63000 Alcan	514	18	18	18	1/4	63000 Alcan	514	18	18	18	1/4
64000 Alcan	514	18	18	18	1/4	64000 Alcan	514	18	18	18	1/4	64000 Alcan	514	18	18	18	1/4
65000 Alcan	514	18	18	18	1/4	65000 Alcan	514	18	18	18	1/4	65000 Alcan	514	18	18	18	1/4
66000 Alcan	514	18	18	18	1/4	66000 Alcan	514	18	18	18	1/4	66000 Alcan	514	18	18	18	1/4
67000 Alcan	514	18	18	18	1/4	67000 Alcan	514	18	18	18	1/4	67000 Alcan	514	18	18	18	1/4
68000 Alcan	514	18	18	18	1/4	68000 Alcan	514	18	18	18	1/4	68000 Alcan	514	18	18	18	1/4
69000 Alcan	514	18	18	18	1/4	69000 Alcan	514	18	18	18	1/4	69000 Alcan	514	18	18	18	1/4
70000 Alcan	514	18	18	18	1/4	70000 Alcan	514	18	18	18	1/4	70000 Alcan	514	18	18	18	1/4
71000 Alcan	514	18	18	18	1/4	71000 Alcan	514	18	18	18	1/4	71000 Alcan	514	18	18	18	1/4
72000 Alcan	514	18	18	18	1/4	72000 Alcan	514	18	18	18	1/4	72000 Alcan	514	18	18	18	1/4
73000 Alcan	514	18	18	18	1/4	73000 Alcan	514	18	18	18	1/4	73000 Alcan	514	18	18	18	1/4
74000 Alcan	514	18	18	18	1/4	74000 Alcan	514	18	18	18							



40Φ Φ

4:00 pm prices March 31

## NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]



**NASDAQ NATIONAL MARKET**

Chung Shing Stock						Chung Shing Stock						Chung Shing Stock							
Div.	P/100s	High	Low	Last Chng	Stock	Div.	P/100s	High	Low	Last Chng	Stock	Div.	P/100s	High	Low	Last Chng	Stock		
+1/2	39	300	4	43 1/2	3 1/2	-1 1/2	13	100	7	8 1/2	8 1/2	+1 1/2	100	17	68	40	39 1/2	39 1/2	-1 1/2

[illegible]

-1	Home Hair	25	22	24 1/2	24	24 1/4	Oprotech	52	157	13 d11 1/2	12	-1/2	Votm
+1/2	Home Oils	0 72	16	15 1/4	14 1/2	15 1/4	Crane Sy	37	6723	14 1/4	13 1/2	14	
+1/2	Investibul	27	8	3 3/4	3 3/4	3 3/4	On Senc	174	38	17 1/2	17	17 1/2	+1/2
							Omnetrol	0.31	16	54	21 1/2	2	2

[illegible]

**SOUTH  
AFRICA  
1992**

The FT proposes to publish  
this survey on  
May 20, 1992

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